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**The New Zealand Business Who's Who** is an invaluable business partner of the silent (but never sleeping) variety. After 20 editions and 40 years **The New Zealand Business Who's Who** is the most comprehensive business directory in New Zealand and is uniquely valuable as the country's only one-stop business information service.

In the 20th edition there are 528 pages of up-to-date detailed information about 10,000 companies and trading organisations operating in New Zealand. There has been a significant revision of 95 per cent of all entries since the last edition. There are 800 new companies listed.

For the 20th edition of **The New Zealand Business Who's Who** detailed information about 10,000 of New Zealand's leading commercial and industrial companies and organisations was fed into the country's most sophisticated computer file and then channelled into a number of invaluable, cross referencing indexes.

## The Main Section

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Co Ltd Bx 3050 Wellington  
P.O. Box 3050 Wellington  
R.A. Suberland, L.M.  
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P.O. Box 3050 Wellington

All listed companies and organisations are set out alphabetically within five main sub-sections—Auckland, Wellington, Christchurch, Dunedin and provincial cities and towns. Each listing is keyed to a number that provides cross-referencing to six other indexes.

## The Classified Business Index

### JO INDUSTRIES

18168 Horby (8542)  
J4 Christchurch (8576)  
Auckland (1820)  
Co Ltd Bx 3050 Wellington  
M. Auckland (1867)  
Christchurch (1868)  
Auckland (1869)  
P.O. Box 3050 Wellington

This section contains names, addresses and cross-referencing for all companies in the main index—classified by over 800 different trade headings.

## The Buyers' Guide

### GUIDE

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# Who should the Wicks' finger really point at?

by Colin James

FOR the time being at least, elections to Parliament are considered important by most people in New Zealand.

For the great majority, it is their only participation in national politics. At a reasonable estimate, upwards of 85 per cent of those who could vote last election did.

That is high by world standards. Given such a demonstration of preference in the system, there is a good case to be made for trying to run the elections right.

Last year's election was not. By that I do not mean there was corruption, or people were calculatedly defrauded of their vote.

I mean that there was so much confusion and ridicule over the rolls that there were real grounds for doubt among voters before the election that everyone entitled by law and wishing to vote would be able to vote.

In the event, if we take the word of the Wicks committee, the rolls were in a usable state by the election.

But a reading of that committee's report vindicates the fears held by political parties and others last year that satisfactory rolls might not have been ready in time.

It is a tale of blunders, delays, technical nightmares, inadequate supervision and support, wrong decisions and even a major change in administrative practice that was not sanctioned by law.

"As it turned out," the report says, "the general electorate rolls were adequate for the 1978 election, but in electorates where candidates were successful by only a narrow majority the state of the rolls provided an area of challenge and counter-challenge which introduced doubts as to the validity of the declared results."

The Wicks committee confirms what the National Government, looking for excuses last year and this, alleged: that the genesis of the confusion in the rolls last year lay in the administrative and legislative changes approved during the term of the Labour Government.

But the report is no comfort for the National Government. Administrative decisions were made during its term which were major contributors to the confusion and which were not envisaged by the Labour Government or its legislation.

But it finds that the changes introduced by the 1975 legislation were conceptually sound and by and large recommends that they be persisted with — with necessary amendments.

For instance, it approves of re-enrolment at census time. The 1976 attempt was more successful than its critics have argued.

The problem lay in the fact that not all people re-enrolled at census time.

Contributing causes: lack of staff at the electoral office; little high level co-ordination between the three departments concerned (Justice, Statistics and the Post Office); insufficient briefing of or lack of understanding by those collecting the information of what they were supposed to be doing; and a failure to convince the public of the need to re-enrol only months after an election.

The missing data could have been gathered by census follow-up procedures — or people could have been invited to enrol during the following two and a half years.

Instead, chief electoral officer Jack Wright decided to keep the 1975 roll and update it.

Partly this was necessary simply to provide rolls for by-elections (the census re-enrolment looked forward to the 1978 electorate which were not then in existence and in that respect was impractical).

But in fact it meant many people's names were kept on the rolls that should not have been there.

Many people were also kept on Maori rolls who had not expressed any wish to be there, which caused problems when these people subsequently tried to vote in general electorates in 1978.

There was also a problem with "meshblocks", the small geographical units used by the Statistics Department to base data on.

The meshblocks were intended to form the basis on which electors, once their names had been entered into a computer, could be redistributed into their new electorates when the new boundaries were announced in mid-1977.

Unfortunately, the meshblock system did not prove sufficiently accurate to allow this to be done. It was, says the committee, a major contributing cause of most of the delay and error.

It was not helped by the omission of meshblock numbers from many enrolment cards and the entry of wrong numbers on others.

Another case of too far, too fast. The next problem — apart from shortage of money which caused Wright not to produce a standard roll in October 1978, as planned — was in switching from one computer system to another.

This was done between April and June 1977 and effectively prevented Wright from producing the new rolls within three months of the proclamation of the new boundaries, as he was required to do under the 1975 legislation.

In the meantime, Wright had obtained ministerial approval at the beginning of 1977 to centralise the system of roll maintenance.

Originally, this had been done by the registrars of electors in the individual electorates. Wright now decided to centralise all cards in his office in Lower Hutt and carry out all roll maintenance from there.

Partly this was prompted by confusion that arose out of the (insufficiently co-ordinated) division of responsibility between the Justice Department, in whose bailiwick Wright's office fell, and the Post Office, which under the 1975 legislation supplied the "electorate officers" who replaced the registrars of electors.

Wright had not direct control over these officers and inefficiencies and confusion crept in.

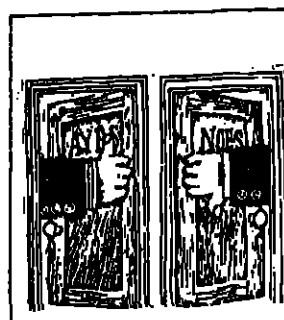
Gathering all the two one central place was inefficient, the Wicks committee says. It occupied 80 to 90 staff from January to November, 1978, when they could have been getting on with preparing the rolls.

In the event no maintenance was done on the rolls between April, 1977 and May, 1978, and possibly for as long as 18 months up to July, 1978: a recipe for subsequent chaos.

The Wicks committee says many cards were not supplied in precisely the way required and checking procedures were largely abandoned.

Information was going forward to the computer largely unchecked and in an unco-ordinated fashion.

The outcome was chaos. A huge volume of clerical work



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descended on Wright and his staff which they could not adequately handle before the disastrous main rolls reached an anxious public in August, 1978.

After that the flood of cards turned into an avalanche as electors sought to make sure they were on the roll. It was, as the Wicks committee points out, remarkable that functional rolls emerged. They pay tribute to Wright for achieving that (while not

condoning his administrative decisions). But there was another important reason for not centralising the cards. The move was not sanctioned by law.

By centralising the rolls Wright effectively debarred the electorate officers from carrying out their statutory duty to maintain the rolls while taking on board a function that was not assigned to him by law.

The Wicks committee several times muses on why no change was made to the law to legitimise what Wright was doing. We might ask the same question of a department that is full of lawyers.

It is therefore small wonder that the Wicks committee dealt at length with the failure of the top management in the Justice Department to adequately supervise or support Wright — to ensure he had adequate staff and was meeting the deadlines and

requirements of the legislation. It quotes the current Secretary for Justice, John Robertson, criticising his predecessor, Gordon Orr (now teaching law, including constitutional law, at Victoria University):

"The fact that he (Wright) did not receive the support and direction he should have done from top departmental management is beyond question."

The Wicks committee says administrative support from the top level of the department was insufficient and too late.

At the very latest, it seems to me, alarm bells should have begun to ring when Wright did not get the new rolls out on time. In fact, Robertson says, top level direction "was not present until two months before the rolls were due to close" — that is, in mid-1978, by which time the damage had been done.

But the blame should go higher up than that. This is a

ministerial system. The minister last year was David Thomson. Month after month last year he blundered and brushed aside criticisms. There was a time when he would have led to a ministerial resignation. The Wicks committee said nothing about ministerial responsibility, what it left unsaid it said loudly.

Broadbank



## "It's more impressive to fail on a difficult



# Concession fish-hooks worry South Islanders

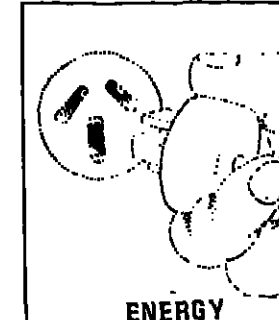
UNLESS careful research is undertaken, a proliferation of major electricity-intensive industries such as the Government is now trying to encourage in the South Island, may result in some embarrassing failures.

That's the conclusion many South Island business leaders are making while the first promoters to take advantage of Energy Minister Bill Birch's cheaper power rates for South Island industries, make their proposals public.

Some worthwhile ventures are most likely, but others could be caught on the "fish-hook" that is part of the new concessions.

This is that a concession to a company will last only 15 years — to 1994 — and will be gradually reduced within that time. A change in world market prices or even increased transport costs to distant markets could turn an economic proposition into an uneconomic one.

And while that may be a fair business risk, not many South Island local bodies would want



ENERGY

vast but empty industrial buildings within their boundaries, and further unemployment.

The question must also be asked: Are large industries, such as the concessions are designed to attract, what the South Island needs — or wants?

The problem has arisen because power planners have over-estimated actual needs by some 2000 gigawatt-hours a year for the next 15 years. The concessions, which will be negotiated on an individual

company basis, will encourage industries to use up the electricity surplus.

The scheme applies only to those industries which use more than 25 gigawatt-hours a year. Birch mentioned forestry processing and mineral resource projects such as ferro-silicon, silicon carbide and further Comalco development at Bluff.

But to get such industries off the ground even now will take two to three years, presuming there are no delays with town and country planning hearings, environmental impact reports, water board hearings, any subsequent appeals and actual construction.

The Twait Point aluminium smelter, half-owned by Comalco Ltd, is an unlikely starter for the concessions, in spite of the Minister's olive branch.

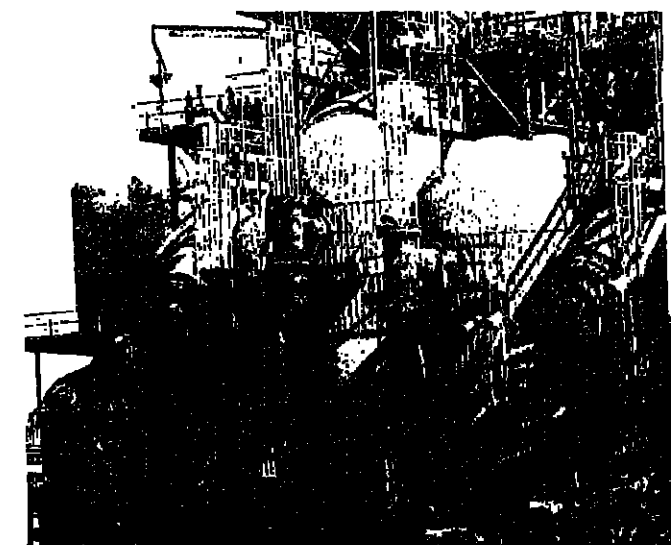
Only a few days before the concession announcement, Comalco announced that it would be spending \$1000 million on expanding its proposed Gladstone smelter.

And even though some \$17 million has been spent at Twait Point already in preparation for further expansion — the maximum capacity was planned at 220,000 tonnes, compared with the present 157,000 — Comalco executives remain scarred from bitter negotiations in 1977 which saw their previous agreement thrown out by the Government and a new one written in its place.

Obviously, they must still fear that similar treatment could be in store if they commit further capital to Twait Point. Just as obviously, Comalco won't have any cash to spare for many years because of its Gladstone commitment.

The two proposals announced so far have made headlines throughout New Zealand because of their size and the amount of money involved.

New Zealand Nickel Smelters Ltd, an Auckland-based company, is planning a \$60 million ferro-nickel smelter at Bluff. Some 600,000



tonnes of nickel ore would be imported annually from New Caledonia, and it would employ about 270 people working around the clock.

The trouble with such smelters is their waste however, and some 450,000 tonnes of slag a year would have to be disposed of, presumably in Southland. Environmentalists can be expected to have a field day, although a company spokesman has gone to some lengths to allay fears.

Sponsoring the second proposal is C Macdonald Ltd, the entrepreneurial Wellington import-export company. It is for a ferro-silicon industry, and providing some technological problems can be overcome, its chances of success must be rated high.

The technological problems involve working from silicon quartz gravel, instead of the usual lumps, and a Norwegian company, Techo Elkem Spigerverket, has been working on studies for at least five years.

Macdonalds have done their homework, and just as important, they have kept Southland organisations informed of their plans. It was, in fact, mainly the price of electricity that prevented the project getting off the ground before now.

Still other projects are in the pipeline. According to Birch, there have been "three or four" inquiries from New Zealand companies wanting to establish industries using foreign technology.

As several thousand million tonnes of silicon quartz-bearing gravel can be found beneath Southland, it seems safe to presume that the silicon

carbide industry mentioned by the Minister seems destined for the south.

The main fear in the south is that there may be haste in deciding which industries will get the concessions.

Some will obviously be more beneficial to regional and national interests than others, but will these necessarily turn out to be the most economic and therefore likely to last beyond 1994?

Sound investigations will be needed on each proposal, and these will take time. Yet in the meantime, the period of the concession power will be running out. To many in business, such aspects appear contradictory, and they have not been well received.

Still, there is no doubt that new industry should be attracted to the South Island, and the scheme seems likely to do it, although whether the whole 2000 gigawatt-hours will be consumed is debatable.

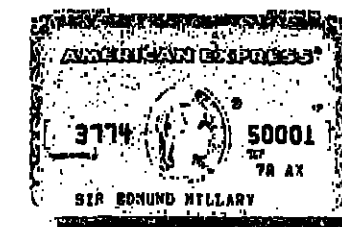
Further encouragement of small industries — either new or existing — would have produced a similar result. At the same time, concessions could still have been offered as encouragement to such proposals as the ferro-silicon smelter.

As business leaders throughout the South Island have said, it would have made more sense to make the concessions across-the-board throughout the island.

Only a few years ago, New Zealand was short of power. The obvious lesson from those times should have been to watch the future carefully. Yet once again, the Government's approach seems piecemeal — and it could rebound 15 years hence.

## objective than succeed on a modest one."

American Express, in conversation with Cardmember Sir Edmund Hillary.



Sir Edmund ("call me Ed") Hillary: Mountaineer, Adventurer, Explorer, Author, Businessman, Nepalese Bridge Builder, Chairman of the Himalayan Trust, Attended Auckland Grammar where, despite the motto (Per Angusta ad Augusta — Through Narrow Paths to the Heights) he remained uninspired. Eventually discovered mountains, conquering the biggest of them all in '53. Became the youngest Knight of the century. Other remarkable achievements include driving a convoy of farm tractors to the South Pole.

A.E: I read the other day where someone said that if you are going to dream of impossible things you might just as well dream of big impossible things.

E.H: I agree actually. A challenge you're confident of overcoming is hardly worth starting. Why bother if you are quite confident that you are going to overcome it? The real challenges are ones that extend you to the utmost. Where there is always doubt as to whether or not you are going to be successful. Then, when you succeed, if you do succeed, you have a great sense of achievement. It's more impressive to fail on a difficult objective than to succeed on a modest one.

A.E: Have you always had a clear picture of your goals?

E.H: No, I don't think I did. People said "When did you first really get your great ambition to climb Mt. Everest?" Well, I didn't get my great ambition to climb Mt. Everest until a year or two beforehand. I'd been climbing for many years before I even thought of the prospect of going to Mt. Everest.

A.E: You didn't tell your mother in 1939 that you were going to climb Mt. Everest?

E.H: No, no. You know, there was old Frank Smyth who was one of the great mountaineers and wrote lots of books. He wrote in one of his books that when

he was a young child his parents took him across France. His mother was holding him in her arms, suddenly on the horizon, he saw a great white mass of mountain peaks whereupon he duly rose up and pointed in the direction of these peaks said "go gaga gaga go". Which meant, supposedly, "I'm going to become a famous mountaineer". Well, that's really a lot of rubbish. People tend to try to give you ideas and a future far before you ever had these firm convictions.

A.E: At what age did you realise you were going to become famous?

E.H: It wasn't until I actually climbed Everest that it suddenly dawned on me that I was going to be in the uncomfortable position of being famous. Before Everest, even on the mountain, I had never really even thought about it. We were much more innocent in those days. Nowadays, the modern athlete is aware that if he is very successful there can be economic, substantial economic benefits, from what he does.

A.E: If Ed Hillary had climbed Everest in the '70's, the 33-year-old Sir Edmund Hillary would have been a very marketable item indeed. Are you glad or sad that you escaped that kind of marketeering?

E.H: Very glad. I have a little bit to do with it anyway, but I have been able to keep it to what I regard as a reasonable minimum. There are advantages of course, as far as the fame business is concerned in raising funds for projects. In things of this nature, it certainly has been very beneficial. But I don't envy the great athlete of today who gets involved in the tremendous commercial rat race.

A.E: Did Neil Armstrong's giant step, I wonder, create as much excitement for people as Ed Hillary's? I remember looking at the moon and thinking, "Hey, there's somebody up there", and the people around me were walking along looking down at the pavement.

E.H: There's a tremendous difference in the challenges and adventure of today. It's not only the achievement of the individual but the thrill of those back in Houston pushing all the buttons. I think it was probably more fun in our day in that you were the one who had to make the decisions... you weren't just a part of a very highly qualified technology which was thrusting you almost into position.

A.E: Decision-making is obviously a characteristic of a mountaineer...

E.H: I think that most people can learn to become decision-makers. I certainly was never anything like a born leader but I found that over the years there were certain techniques that one could follow which enabled one to handle groups of people who could easily be far more efficient and far more intelligent perhaps than oneself. The thing I always found was doing your homework. Before you went to bed each night, you just went through in your mind what was going to happen next day and briefly thought out what problems you might meet and what you would do if those problems did occur. Now, that meant that if something did happen you had thought the matter over and you were in a position to give a competent decision immediately.

A.E: How long have you had the Card?

E.H: For five or six years, and find it most useful for identification. For example, in American hotels where they often ask you for identification before you even check in, I've found the American Express Card is particularly valuable. It really does give you formal identification. It does have a definite status; there's no question of that.

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## EDITORIAL

"PROVIDED people do their duty and ensure that they are on the roll, I believe that the rolls will be as refined as good as they have ever been..." That assurance was given to Parliament in July last year by David Thomson, the Minister of Justice, within five months of the general election. But the final election roll list showed at least 400,000 votes more than the total number of people aged 18 and over a year earlier, the crowning glory of a months-long controversy over the administrative shambles.

The imperative now is to restore public confidence in our electoral procedures. The Parliamentary select committee charged with reforming the law should be helped considerably by the Wicks Committee Report.

The thrust of that report, quite properly, has been to make recommendations for improving the machinery that allows citizens to play a vital role in the democratic process — exercising their vote. But it also shows that two governments, Parliament itself and the bureaucrats of more than one department were to blame for the administrative shortcomings in the running of last year's elections.

Too many legislative and administrative changes were attempted within too short a time frame, for example, the report says. Some parts of the legislation itself were rather loosely drawn, mainly in the areas which dealt with the administrative implementation of the legal changes.

Labour's legislation and the resultant regulations proved to be administratively unworkable. And some of the procedures springing from the legislation and the regulations were the cause of considerable confusion in the years leading to the 1978 election, says the report.

But the main contributing factor to the delays, an unacceptable level of error and considerable public dissatisfaction had been the decision by the Chief Electoral Officer, appointed in 1977, to centralise all enrolment card records in Lower Hutt and to take over full responsibility for the completion of the country's electoral rolls.

A highly perturbing aspect of this move — specially because it was made within the Department of Justice — was that the action of centralising responsibility for roll compilation and roll maintenance was not sanctioned by legislation. And the electoral officers' job to satisfactorily comply with their legal responsibilities under the Act was made impossible.

More perturbing, the move was given Ministerial approval in February 1977.

Further cause for concern is that the Chief Electoral Officer did not receive the support and direction he should have from top departmental management, the report says.

Section 3 of the Electoral Act spells out that the Chief Electoral Officer shall be "under the direction of the Minister and of the Secretary of Justice" in carrying the Act into effect. And ultimately, under the convention of ministerial responsibility which is supposed to be the crux of this country's system of government administration, the Minister alone is accountable to Parliament for the work of his department.

He was only too ready to reassure Parliament and the public last year that complaints about the rolls were nothing but a political ploy. He was reluctant to concede that there was cause for anxiety, and later blamed the muddle on changes to the 1975 legislation and on electors who had supplied wrong information. But evidence on departmental files suggests that the directions to effect section 3 of the Act were not issued till a scant two months before the rolls were due to close.

In a system where the convention of Ministerial responsibility results in Ministers rarely in Ministerial resignations, however, Cabinet heads are unlikely to roll. And David Thomson can plead that he cannot resign from a portfolio he no longer holds.

Bob Edlin

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QUESTION: When a private company gives an employee a company car what day does that employee nominate as his carless day?

Answer: Saturday or Sunday. Otherwise the boss might feel all that capital tied up in the company car was financing trips to pub or picnic, rather than work.

Question: When a Government department gives a Government servant a Government car and allows him to drive it home what day is nominated as that car's carless day?

Answer: Any working day, Monday to Friday — because that is Government policy.

Of course the Government servant is supposed to drive his Government car straight home on Friday night and park it in the garage until it is needed on Government business.

But it is not unusual to see Government cars parked near the Takapuna boat ramp on a fine weekend, or in front of a private address from which issues the sound of bacchanalian roistering.

Government servants seem little different from their private enterprise cousins in regarding the company car as something of a perk.

The difference lies in policy. Private companies get at least five days a week use out of a company car.

Government cars are used for Government work but four days.

Some Government cars — those from the Public Service Garage and marked with Government emblems — are exempt.

But many Government cars, specially those used by Government trading enterprises (such as State Insurance) are not exempt.

Assuming that neither Government cars nor company cars were ever used for private personal use, then private enterprise gets at least 20 per cent greater utilisation of the capital tied up in these cars than does Government with its one working day carless day.

Meanwhile the Public

## WITHOUT WORD OF A LIE



Service Garage, which holds those sleek, non exempt, ministerial LTDs, has to juggle the cars around every time there is a swirl of nabobs wanting to use them in any one day.

One wouldn't want a minister or visiting dignitary to be caught by the traffic cops being driven to (or worse, from) Bellamy's, would one?

If this should happen, Government could make a case for a 20 per cent increase in the number of Government cars so it could keep 20 per cent of the fleet in the garage on each car's carless day.

Looked at another way, if Government can afford to keep a Government car unused in the garage one day a week, why not decrease the Government's non-exempt fleet of cars by 20 per cent? This would mean the same number of Government cars on the road at the same time and cut Government's capital costs in cars by millions of dollars.

Public Expenditure Committee chairman Marilyn Waring and cost accountant Rob Muldoon — take note!

WE SEE that the next census forms are going to be checked out in a dummy run, just to ensure that the questions mean to the form-filler what they are supposed to mean.

That makes good sense. No respectable research organisation would ever put a questionnaire in the field without pre-testing it.

We wonder how far that principle extends to other form proliferating Government departments. Inland Revenue, for instance.

ONE would expect that when a manager sends a questionnaire round to his employees about some project of im-

portance, they would all reply (if only in the interests of the project).

We therefore quote him without comment as the passage from the select committee on the Electoral Act.

"In December 1978 a Secretary for Justice sent a questionnaire to all 50 returning officers on some aspects of the election including the state and scope of the rolls.

"Copies were received 71. Thirty-five said they were satisfied with the state of the rolls, 19 said they were not satisfied, 19 made comments from which it was not clear whether or not they were satisfied. The remaining 12 did not reply."

IT'S a cut-throat life, out in the real estate.

But it's not uncommon for two agents to act jointly — Harcourt and Co. and Nathan's and Co. in Wellington when the Norwich bid were put up for sale.

The sales brochure is usual — mentioning involvement of both agents. But it seems that Mr. Harcourt's made more of the sale for just under a million.

Naturally, they thought: was something of a failure: their cap — and so they bit plucked to read in the Dominion about the sale of five-storey Norwich House.

"The building was to be sold separately, but the bids were considered inadequate, the auctioneer, Mr. J. Nathan said yesterday. He said the price finally negotiated was considered 'reasonable'."

Which rather gives an impression of the sale as a triumph for the Nathan company, eh?



THE thoughts of Fred Hogg — like those of Mao — are collecting the rustic musings of the cowshed sage with a view to producing a little red book.

Indeed, Dag's manager, John Barnett, had been diligently collecting rustic musings of the cowshed sage with a view to producing a little red book.

But the project became unmanageably tangled in the ways of the Post Office.

You see, Barnett lives in Wellington. And one of those priceless Dag's tapes was with Radio Hauraki in Auckland. So Barnett asked Hauraki to post it to him. They did. And they packaged it pretty solidly, too — as you can see from the top picture.

But somehow, somewhere, and while the material was in the tender care of the Post Office — well, just take a look at the bottom picture. That's what Barnett found when he opened the package.

The Post Office is as bewildered as Barnett about what sort of mail-handling produced such a result.

Also, it means that posterity must miss out on some of Fred's philosophising — perhaps, including the chapter containing his thoughts on rural delivery.

## It's not easy, getting the real oil

by Rae Mazengarb

DRILLING of Petrocorp's Toko 1 well in Taranaki stopped last week when the 4900 metre point had been reached. That was 100 metres beyond the originally projected depth.

Petrocorp was logging the well, to determine precisely what layers had been drilled through and what quantities of gas or condensate existed.

But Petrocorp officials remained tight-lipped.

Group general manager Jim Hogg last Thursday was unavailable for comment.

Group secretary Brian McLaughlin refused to discuss progress or other aspects of the project. A press statement would be issued as usual on Friday, he said. (It wasn't).

According to Toko on-site sources, there would be no cause for celebration.

But earlier in the week, Hogg had pointed out: "A well-managed well does not suddenly become a gusher of oil or gas nowadays."

He added: "We have a lot of work to do yet before we know the full story of Toko."

Whatever lies beneath the surface of Toko, however, it is time the New Zealand public was made more aware of the nature of the Petrocorp project at Toko.

Unconfirmed reports suggest the cost of drilling may be over \$4 million so far. Reports at the time of the spudding-in said the cost would be \$2 million.

An announcement that Toko 1 would be spudded in during October 1978 was made back in August last year.

Company spokesman B. H. Smith said then a depth of 4900 metres was projected.

The well would be drilled over four months by Petrocorp Exploration's Intra drilling

rig, it was reported. But the well was not spudded in until November.

There were problems with the rig, which cost around \$4.5 million.

Shortly after it went into operation it broke down.

Ever since, there has been a series of delays.

But Petrocorp officials never gave up. Their press statements always hinted the end was in sight.

A press statement issued on May 4 said the hole had reached a depth of 3402 metres. And the chairman of Petrocorp Exploration, F. A. Reeves, said drilling at Toko was expected to be completed "in about six weeks", after which time the drilling rig would be moved to the next exploration well site to be called McKee 1.

On May 9 NBR reported Petrocorp was confident of astounding its critics soon. Our "unconfirmed reports" suggested the corporation had struck gas condensate with its first test here in Taranaki.

Again a Petrocorp public relations problem was revealed rather than the true state of the drilling.

In June general manager Jim Hogg told reporters, "We believe we are close to the top of a Kapuni-type formation."

He said: "Things are now very interesting", but said there was no way of knowing whether gas, oil or condensate was present in the target area until the cap over it was breached.

The well was then 3840 metres down.

Said Hogg: "Whatever happens, it will certainly be within a very few weeks."

In July it was reported Toko was past the 4000 metre mark, and it seemed to be just a week or two away from "the



JIM HOGG — tight-lipped.

moment of truth". Preparation was then nearly complete on the next exploratory site, east of the Waitara River.

To be known as McKee 1, it would go to about 3850 metres, the report said.

Dr John Collins, of the Geological Society said his group had also had difficulty obtaining information from Petrocorp.

But some agreement had been reached and it was hoped that information on the well would be more easily obtained in the future.

The information was important for scientific research and its unavailability was hindering geological research in this country, he said.

Overseas specialists had to be flown in at one point to save the hole.

Spokesmen again refused to elaborate, referring to the holdup only as "subsurface technical problems".

Progress was held up at one point when equipment was lost in the bore necessitating a lengthy "fishing" operation.

Petrocorp's problems have raised a number of questions, but officials have never been willing to elaborate.

A Radio New Zealand reporter says he has tried to ring Hogg once a week, but in the 18 months of Petrocorp's existence, he has succeeded in talking to him only about half a dozen times.

A Taranaki newspaper recently reported the same problem.

NBR inquiries last week met with little joy.

We tried to contact Hogg but were told he was out for the rest of the day.

Referred to his secretary, we repeated we were trying to get hold of him.

"Isn't everybody", came the reply.

He apparently had overseas visitors who were keeping him busy. "He's never here these days", the secretary said.

But she would not comment further on the business dealings with the overseas visitors.

We were referred to another official instead of Hogg who said, being a limited liability company, Petrocorp is not accountable to the people of New Zealand. Therefore it is not required to report on matters which, to his mind, were "confidential".

For instance, he would not comment on the cost of the well operations so far.

The design of the rig makes it impossible for the Toko attempt to go much deeper. Oil industry sources say "that's what happens when you buy the wrong rig". Whether the attempt will continue is still anyone's guess because it's still confidential.

Meanwhile the multimillionaires have indicated they want to become involved. But Petrocorp holds all the live wires in the area. And there is no more about to farm them out.

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## Liquid fuels decision: Maui options weighed

THE Government seems confident the Maui Resource will give the motorist half self-sufficiency in liquid fuels - but the price tag will be around \$2000 million. And the supply of fuel will go only part way to offering a transport future to just one generation of New Zealanders.

The Maui-based fuel options therefore provide at best only a breathing space before the country is confronted with the task of turning crops and trees into alcohols and electrifying transport.

Papers relating to this transitional step have reached NRR.

They are the work of the Liquid Fuels Trust Board which:

- "Compare the economic viability of the alternatives, and identify those warranting priority implementation."

- "Assess the current technical status of the alternatives and provide a firm basis for the planning of further investigations by the LFTB Board."

In its reports to the Government, the Liquid Fuels Trust Board has proposed strategies which have the approach of a little bit of everything.

- "The use of CNG, LPG, M15 (petrol extender), and condensate associated with this 'most economic strategy' could provide New Zealand with about one-third self-sufficiency in transport fuels."

- "In order to increase this degree of self-sufficiency it would be necessary to extend the use of CNG and/or produce synthetic fuels at the expense

- "Exports of Methanol: a large-scale methanol project (1000 tonnes/day or greater) in New Zealand, based export of chemical methanol would be economically competitive."

- "Methanol as a gasoline extender: "...M15 could add to

of LNG (Liquefied Natural Gas) exports. Thus the key issue in making a final decision as to the use of Maui gas in the transport sector will be the extent to which the 'most economic strategy' should be modified, in order to provide increased self-sufficiency, and, hence, provide control over New Zealand's destiny."

The LFTB on Compressed Natural Gas:

"CNG should be immediately encouraged, particularly for fleet vehicles, but also for private vehicles suited to the fuel."

The LFTB on Liquefied Petroleum Gas:

"LPG has the advantage of being particularly suitable for the supply of an alternative fuel to the South Island, and accordingly cannot be ruled out as an option."

The LFTB on Alcohol Fuels:

"Methanol-Gasoline blends (M10 to M15) are also indicated to be an attractive option... together these alternatives have the potential to realistically substitute for between 20 per cent - 30 per cent of total gasoline demand... minimum product costs can be achieved with 2500 tonne-day plants, each costing about \$150 million. Methanol would be produced from such plants at a cost that would be internationally competitive."

"Exports of Methanol: a large-scale methanol project (1000 tonnes/day or greater) in New Zealand, based export of chemical methanol would be economically competitive."

"Methanol as a gasoline extender: "...M15 could add to

the overall viability of a methanol project by providing a secure domestic market in which methanol replaces some imported oil.

• Methanol as a base fuel: "Methanol has the disadvantage of being a different fuel to gasoline, and would therefore require substantial engine modification or re-design."

LFTB on synthetic gasoline-diesel:

"The synthetic gasoline option could only be justified if priority was given to achieving a high degree of self-sufficiency in transport fuels in the mid-term. Adoption of the Mobil route would require a parallel development to overcome this diesel deficiency."

"In comparison with methanol, synthetic gasoline production could be implemented comparatively quickly since this option avoids the need for any downstream modification to the distribution system and vehicle fleet. It has the disadvantage of relatively high cost and low efficiency of utilisation of natural gas."

The results of economic analysis show the economic performance of synthetic gasoline-diesel (Fischer-Tropsch) to be poor. This conclusion, however, neglects consideration of security of supply."

The LFTB on Export options:

"There is a projected market in Japan (and possibly in the United States) for new fuels to replace oil in power generation. LNG

(Liquefied Natural Gas) is already an accepted fuel in this market, and indications are that fuel methanol would be equally acceptable, if available at a competitive price. The results indicate the export of LNG to be a viable project for using the uncommitted Maui reserves."

The LFTB comparison of economic results:

"The potential for export of gas as LNG provides a convenient 'break-even' opportunity value for gas. On this basis, the alternatives of CNG, Methanol blend, and base methanol appear at least marginally economic. Synthetic gasoline-diesel production is indicated to be marginally uneconomic, even under the most favourable conditions."

The Most Economic use of Maui gas:

• Use of CNG and LPG in fleet vehicles (and some

private vehicles);

• The production and export of chemical methanol up to the limits of overseas markets (1000 tonnes/day);

The use of M15 when compatible vehicles are available (from 1984 on say);

Methanol as a base fuel when vehicles are available (late 1980s at best);

LNG for export (assuming a relatively high rate of depletion of the Maui field and the availability of markets);

It's clear that Energy Minister Bill Birch and Under Secretary Barry Brill will have to talk fast if they wish to commit the country to a world-scale synthetic fuels programme, incorporating both gasoline and diesel. AND a world-scale methanol programme.

Logistical and economic problems associated with an immediate start to both are seen by observers as awesome.

A realistic ongoing programme therefore could be:

1) Acceleration of CNG programme

2) Acceleration of LPG development (even if it means importing LPG for the short term development of the industry)

3) A further limited period of research into both the Mobil and Fischer-Tropsch technologies which produce gasoline and diesel, with a view to following international developments, and embarking on a synthetic fuels programme in the early eighties.

4) An intensive Government and industry effort to secure market guarantees for Liquefied Natural Gas for uncommitted Maui gas and future gas finds.

5) Government incentives for private sector involvement in commercial ethanol plants.

## Flag plans computer-aided booking system to gain competitive edge

by Stephen Bell

A computer-aided booking system planned for Flag Inns could have the effect of increasing the proportion of the country's hotel accommodation at the disposal of Flag.

At present, the 73 hotels and motels participating in the Flag scheme set aside a proportion of their rooms for guests booking in through Flag's central booking service in Auckland, Wellington and Christchurch.

The present system is manual with communication between hotel and booking office being handled by telex. This involves a good many messages back and forth to ensure the availability of rooms.

Together with possible reshuffling of bookings or searches for alternative accommodation, the process of fitting a guest in can take as long as half an hour.

In its first stage of development, scheduled for next April, the computer system will still use the telex network. This, though, will communicate directly with the IBM 370 computer at the bureau operated by Idaps, in Auckland.

All the rooms available to Flag at each hotel will be put on the computer system's files, and their status will be immediately visible to the system, giving guests a much quicker response.

Clearly, the hotel will still want to keep a certain percentage of its rooms for guests booking in over the desk. If 100 per cent of the rooms were made available to Flag, then the hotel would have to send a telex message to the Flag office to update the files each time a non-Flag booking was made.

This would add enormously to costs.

The second stage of the system, scheduled for August 1980, another matter. This will install visual display terminals at each hotel to communicate with the central system.

Cost of these terminals and their transmission facilities will be constant, and not dependent on traffic.

This it would then be no obstacle to the hotel to put all of its rooms on the Flag system, and Flag spokesman Peter Coghill foresees that some hotels would want to do this.

The Tourist Hotel Corporation, which participates in the Flag scheme, will also have telex communication, and subsequently terminal communication from all its hotels into the new service.

Since rooms are instantly recallable from the system for non-Flag bookings, increased participation in Flag is unlikely to squeeze accommodation of the free market, but with more rooms and a greater variety of rooms available to Flag customers, the chain is virtually assured of increased business and

increased commission.

The visual display terminals installed with Stage II will have some degree of intelligence at the front end, allowing hotels to process their "front office accounting" - keeping track of each guest's bill - on the Idaps system. At a subsequent stage, more accounting functions, covering the hotel's business as a whole, will be provided.

An important cost saver will be the fact that the software required has already been written and tested in use on a similar system in Australia.

## State print goes commercial

by Colin James

A GOVERNMENT backbencher and an opposition frontbencher have come up with proposals to put the Government Printing Office on a more commercial footing.

The Printing Office was criticised last year by the Auditor-General, Parliament's money watchdog, for the inadequacy of its costing and accounting systems as a means of recording job costs and producing reliable accounting data for its annual accounts.

This has been followed up by a sub-committee of Parliament's public expenditure committee. The two-man subcommittee was Ian McLean, Government MP for Tararua, and Roger Douglas, Opposition MP for Manurewa.

Douglas chaired a Cabinet committee on spending in 1975 and is one of the few Opposition MPs concerned about efficiency in Government departments.

In debate on the Railways estimates last week, he argued that the staff was more likely to do a useful job if they were given clear goals and objectives to work towards.

Cost centres should be identified and objectives set for each.

He and McLean, one of the strong voices among the new Government backbenchers and a vigorous efficiency advocate, therefore had much in common in approaching the Government Printing Office - a trading department which performs a largely service role.

The two agreed that the Printing Office should have greater independence in its capital structure and its financial operations. At present its cash payments are appropriated by Parliament annually.

The capital structure, they

said, should be based on that of a private firm, "with the aim of achieving a return on capital."

To a large extent, they said, the capital structure already existed and no further costs, beyond, perhaps, an initial grant for working capital, would need to be incurred to set it up on the new basis.

To be self-supporting financially, the Printing Office should set charges to departments high enough to recoup costs, cover depreciation and provide a return on capital, plus allow for the purchase or replacement of minor capital equipment.

Some work done for departments, McLean and Douglas said, was not charged for - including \$2.2 million worth of storage and handling of forms and reprographic services.

"The committee is not convinced that it is uneconomic to recover these costs from departments, having regard to the possibility of wastage through departments ordering more than necessary quantities," they said.

"If the Government Printing Office is to be self-supporting it would be necessary that departments bear the costs for all services received."

"Even if the net effect would merely be a transfer of the costs to other departments there are important principles involved: that departments should bear the full cost of services provided for them; and that the full costs are known and can properly be considered during discussion of estimates by Parliament."

The two men suggested that the Printing Office should operate a revolving fund - that is, be able to pay its operating costs out of its receipts instead of giving that receipts to the Government and spending only what it is

allocated by Parliament.

"Only the capital cost of expanding operations, or any extraordinary losses in excess of what could be provided out of accumulated profits, would need to be appropriated by Parliament," they said.

The two men made a number of recommendations on costing and accounting.

Budgets should be established for each cost centre and line management should be given fully costed reports.

Penalty charges should be made to departments that make significant changes to copy already typeset and departments should be charged extra for urgent unscheduled jobs.

To monitor the Printing Office's efficiency, McLean and Douglas recommended that the range of work put out to tender by private printing firms - an existing practice - should be made representative of the work the Printing Office does and the costs compared.

Opening up the field of Government printing to outside competition and allowing the Printing Office to go out into the private world to compete were considered, but not recommended - each MP having party reasons for rejecting one of them (remember the Post Office's proposed courier service).

Instead, the two men settled for the less controversial recommendation that "once new systems proposed have been implemented the whole question of the relationship of the Government Printing Office with printing firms in the private sector be considered."

Douglas is chairing another public expenditure committee subcommittee on the Government Architect, another service operation that could be put on a charge-out basis.

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# ABC Lines provides ammunition for attack on shipping cartel system

by Warren Berryman

THE relationships between the Meat and Wool Boards and members of the price-fixing shipping cartels has emerged in high political profile following the seizure of \$42 million worth of meat owned by Waitaki NZR.

The Meat Board seized the meat to prevent Waitaki from shipping with non-conference ABC Containerline at rates 10 per cent less than those charged by the conference.

The board was entitled to do this by virtue of an old and dusty statute.

Shipping non-conference would have saved Waitaki \$5 million in foreign exchange a year.

ABC will now renew its offers to the Meat and Wool Boards, claiming widespread support from primary products exporters.

The myth that the two producer boards are acting for and on behalf of primary producers and exporters is about to be exploded.

When the dust settles it will become clear that many meat and wool exporters are strongly opposed to the producer boards' bureaucratic interference in their business.

In general it will be the foreign-owned companies siding with the boards' restrictive trade practices and New Zealand-owned companies aligned against the producer boards that are said to represent them.

The Meat and Wool Boards justify their prohibition on shipping non-conference claiming that the conferences provide regular uniform service.

Conference opponents don't dispute the desirability of a regular reliable service. They do oppose the conference's cost-plus method of charging for that service.

They also point out that the only time conference rates have been held in check or reduced has been through competition from a non-conference carrier.

The Meat and Wool Boards will have to answer some thorny questions.

● Can this country, with its \$1 billion plus invisible deficit, afford to give a monopoly position to the cartels so they can increase freight rates untrammelled by free competition?

● Can this country afford to pay higher freight rates than its overseas competitors at a time when a surplus in world shipping is pushing freight rates down where non-conference lines are allowed to compete?

● Why do Australian wool exporters pay half the freight rates paid by New Zealand wool exporters to reach the same markets — and is this benefiting New Zealand farmers?

The question of conference versus non-conference goes beyond the concern of the Meat and Wool Boards to the manufacturing sector.

Producer Boards control more than 90 per cent of our total export tonnage. But they control only about 70 per cent of the value of these exports.

Producer Boards negotiate freight rates with the conferences. Manufacturers

have no voice in these negotiations.

Ships are filled with varying commodities charged at varying freight rates. It costs twice as much to ship some manufactured products as it does an equal weight of meat.

The object of the exercise is to have the total mix of cargoes pay the running cost of the ship and leave a profit.

The object is also to fill the ship. Bulky low-value cargoes are charged less. High-value cargoes are charged more, even though they take up less space. Freight rates are often struck on what the exporter can afford to pay.

A low-value bulky commodity like bone meal might be charged one tenth that of a container full of lawnmowers. If all the cargo in the ship were charged at the "bone meal rate" the voyage would be grossly uneconomic.

Producer boards negotiate their share of the freight rates direct with the cartel. Manufacturers are left to fight between themselves as to who will pay the rest.

At this point a non-conference shipper can upset the cosy relationship between producer boards and cartel by singling out these exporters paying the highest commodity rates and offering them a better deal.

The producer boards refer to this process as "skimming off the cream". The manufacturers call it getting a good deal through free enterprise.

Both here and in Australia, entry of a non-conference competitor to the market has driven freight rates for manufacturers down by as much as 50 per cent. These cut rates have generated new manufactured exports that would not have been price competitive in foreign markets had conference rates been paid.

But, having control over the bulk of the tonnage, the Meat and Wool Boards can drive a non-conference competitor from our shores to the detriment of the manufacturing sector as well as themselves.

ABC is offering an average 22 per cent reduction on freight on imports and about 10 per cent less on exports. Both would cut this country's invisible deficit.

Ace Lines started in this country with a similar offer. The freight war between Ace and the conferences cut freight rates for many commodities in half.

The Meat and Wool Boards claim that non-conference lines, like Ace and ABC, are disruptive to an orderly marketing system. So they are.

Free enterprise is a system full of such disruptions. Australian exporters, with whom we compete, are benefiting from such disruptions getting cheap freight rates denied to this country's exporters by the Meat and Wool Boards.

The Meat and Wool Boards stand alone in their sole support for the cartels. The Apple and Pear Board charters its own ships to export its produce.

The Dairy Board gets its shipping at the best possible price declining to "get into bed

with the cartels" as the Meat and Wool Board have done.

And the Dairy Board's free enterprise bargaining has served them well.

Some months ago a ship carried a 16 tonne container of milk powder to Britain for \$1394. An identical container full of wool weighing only eight tonnes on the same ship would cost \$3585 to ship.

Lamb carcasses, needing refrigeration, in the same-sized container and weighing eight tonnes would only cost \$2545.

Manufactured goods shipped as general cargo on the same ship would cost about double the price per container as meat.

The high rate for wool covers port service charges and other factors as well as the ocean freight rate.

Even so, ABC is now carrying Australian wool for half the ocean freight charged to New Zealand exporters.

Before ABC got into the act, conference line ships were carrying Australian wool to

the United States for 25 per cent less than the freight charged New Zealand exporters.

Australian and New Zealand wool were frequently carried on the same ship. Though Australian wool had further to go to the United States it went 25 per cent cheaper.

Any reduction in freight would be reflected in an increase in price paid to the New Zealand farmer.

But the Wool Board is tied up in business with two cartel members in the Central Wool Facilities it set up.

This "wool club", as it is known by New Zealand-owned independent wool companies, has consistently acted through Wool Board mandate to disadvantage the independents.

The Meat Board and its foreign owned allies might point the finger at ABC, whose owner, Tsvi Rosenfeld, is a shareholder with Waitaki in Maritime Carriers, which in turn is half-owned by Pacific Maritime, agents for ABC.

But Waitaki took only 32 of the 80 available refrigerated container slots on ABC's first ship. The 10 per cent savings was available to other meat companies.

Perhaps other meat companies did not want the space. Waitaki controls only about 25 per cent of the meat exports to Britain and Europe.

The Vesties family not only control W and R Fletcher, one of this country's largest meat companies, but the ACT Blue Star Line as well.

Blue Star is a key member of the United States and the United Kingdom-European Conference.

While prohibiting exporters from using non-conference ships, the Wool and Meat Boards have derived considerable negotiating leverage from the low freight rates offered by non-conference shippers.

Ace Lines offered last year to carry between 50 and 100 containers of meat a month to the United States at

substantially discounted rates.

At the same time the rate was negotiating with the rate for a 30 per cent freight increase to West Coast US States ports, and a 10 per cent increase to the East Coast.

As a result of competitive rates, the rate got only a 3.5 per cent increase.

Ace's rate cutting in Australia reduced the rate increase to only 2 per cent that country.

The Meat Board has a little more to say about the rate increase in the United Kingdom-European trade, where no non-conference competition exists.

According to Wednesday's Christchurch Star, per centage increases sea freight for lamb are 1974, 48.9 per cent, 1975, 28 per cent, 1976, 17.4 per cent, 1977, 33 per cent, 1978, 11.3 per cent.

Last year the Wool Board received an offer to carry meat from Ace Lines. Ace carried a small amount

## shipping cartel system

at 10 per cent below cartel rates prior to this offer.

About this time the cartel wanted a 14 per cent increase in freight rates.

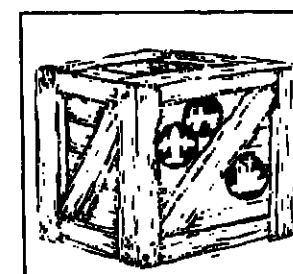
Ace's presence in the market caused the cartel first to forestall its freight increase and then to drop its rates to match those offered by Ace — one of the first times freight rates have been decreased rather than increased.

The Wool Board thanked Ace by banning it from the wool trade.

The Wool and Meat Boards might hate the idea of disruption by the non-conference carriers, but as opposed to publicly, they use non-conference rates as a bargaining lever against the conferences in the interests of the primary producers they claim to represent.

The potential of using non-conference lines as a bargaining lever exists only as long as these lines remain in New Zealand.

It is unlikely that ABC will remain in this country without



TRANSPORT

bulk cargo from the producer boards.

Given this support, ABC says it will guarantee service to New Zealand at least until 1983, with its contract with DuPont to carry mineral sands from West Australia to the United States Gulf expires.

ABC also says it will not join the cartel.

ABC is building two new ships capable of carrying 700 refrigerated containers, each financed by a Belgian

Government loan at 1½ per cent for 80 per cent of the price.

These ships could be on the New Zealand run by 1981 to 1982.

In the 10 months that ABC has been in the United Kingdom - Europe - Australia trade they have captured 15 per cent of the Southbound United Kingdom cargoes, 10 per cent of the French, and 8 per cent of other EEC cargoes.

Australia is paying freight costs off its import and export shipping bill.

ABC is only one non-conference line interested in New Zealand trade and willing to offer cheaper freight rates.

Restrictive trade practices enforced by the Meat and Wool Boards can prohibit it both from offering competition to the cartel and from providing manufacturing exporters with cheap freight rates.

The question essentially is this: can this country afford

operation that ensures an absolutely efficient operation.

Richard Houston — Group EDP Manager, World Record Club explains:

"The length of service of Computer Consultants staff means that they know our business and can adapt to change quickly. They have maintained our account the way I want it — they respond quickly to any suggestions. We have personal contact right through to their programming and production control sections. With Computer Consultants you always know exactly what you are going to get. And you get it."

As a result of the success with the World Record Club, Computer Consultants were asked to handle the balance of the EMI Group requirements. After 12 months of detailed research, analysis and testing a complete system and its services saw the light of day. Again the results were outstanding.

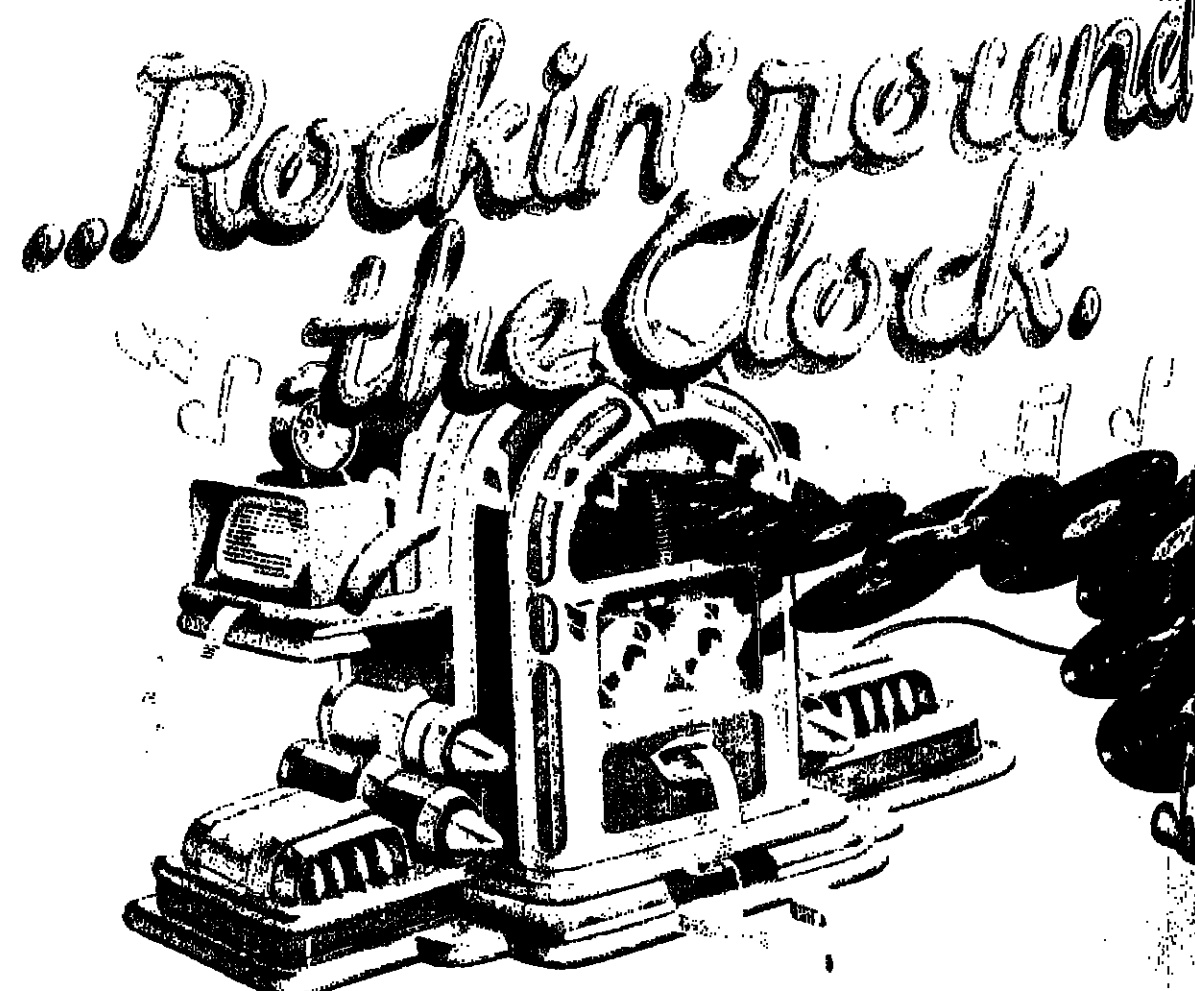
Mr Houston explains: "In each instance there are definite cost benefits. I have to cost justify any move we make. The two systems that we have in, i.e. for EMI and World Record Club, help make us very competitive. The system has sufficient flexibility to handle any special requirements or deals essential to marketing in our sort of business."

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When you're as big as the World Record Club keeping the customers dancing can be a headache. Every day hundreds of mail orders arrive. If you don't turn them around fast the building is liable to be besieged by screaming Kate Bush fans. Or the phones could go crazy with demands for the latest release from the Balalaika ensemble.

Mailing lists, customer statements and stock control must be maintained with official accuracy.

But back in 1972 the World Record Club had a number of problems that needed investigation.

The Club systems were becoming dated. The volume of business was quickly outstripping the capacity of backup systems.

As a result the World Record Club called for submissions from six major computer companies. Their brief was to

supply solutions to and systems for creating input data, bureau processing and the whole spectrum of electronic ordering, invoicing and stock control.

Finally the World Record Club selected two companies — Computer Consultants and "the other one" to further contest the contract. Such was the quality of Computer Consultants' recommendation and their obvious client support philosophy that they acquired the contract.

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## Tranzpacific offers flexible cargo service

Continued from page 1

regard to the level of investment in pastoral farming in recent years, a return to growth in output in the 1979-80 season and beyond seems likely," the review says.

Tranzpacific applied to the Wool Board to carry wool cargo.

Batchelor said he did not quote a freight rate to the board, because he did not want the board to use his rate as a bargaining lever against the conference and then forbid wool exporters from using his service.

(The Wool Board did this last year — when Ace Lines started carrying wool at below conference rates the Wool Board used Ace's non-conference rates in their bargaining with the cartel to hold conference rates down. This done, they barred wool exporters from using Ace Line ships.)

Tranzpacific may cut the base ocean freight rates for wool in half.

Wool cargoes are being charged one of the highest rates of any commodity. Thus the freight paid on wool subsidises the rest of the cargo in the ship.

For example, seoured wool is charged \$220 a tonne to go to Japan. Bone meal travelling on the same ship is charged only \$42.50 a tonne.

Tranzpacific is offering box rates for cargo freight paid per container rather than per tonne. This would give a large freight advantage to wool exporters who have dense bailing equipment as this allows them to get more wool into a container.

Batchelor said that as far as rates went, he left the option open to the Wool Board.

In the past the Wool Board has shown a greater interest in "uniformity" rather than reward for say, companies that invested in space saving dense bailing equipment.

The two Jobsen owned ships will load at conventional berths. They have their own gantry cranes for on and off loading. Their itinerary runs: Auckland, Lytleton, Mount Maunganui, Tokyo, Kobe, Incheon Auckland.

The Japan conference is led by two ships, the Godwit and Aotearoa.

Four conference members sell space on these two ships, Japan Lines, Crusader Swire Container Service, agents P and O Mitsui OSK (agents Seatrans) and the Shipping Corporation of New Zealand.

All four conference members charge the same tariff. Space on the ships is allocated between the four. Japan Lines has the lion's share.

The conference moved into containerised ships in September 1970 leaving a gap in the market for conventional ships on the northbound run to Japan and Korea.

Two non-conference carriers, Armada and Croisdale Shipping, entered the conventional bulk trade from New Zealand to Japan. Croisdale went into receivership after a prolonged shipping strike in Britain tied up one of their ships. (Croisdale's losses were wholly unrelated to the New Zealand Japan trade.)

Until Tranzpacific came on the scene the field was wide open for a non-conference conventional ship carrying cargoes southbound. And it is here that the conference could be hard hit by Tranzpacific.

While northbound ships are sailing nearly full with New Zealand cargoes, southbound ships are sailing about half empty.

Importers are turning away, when they can, from container shipping due to high costs, congestion, and long offloading times at container ports.

Tranzpacific's operation has a flexibility the conference lacks. Its ships are combination carriers able to carry varying mixes of containers and conventional cargo.

The two Jobsen owned ships will load at conventional berths. They have their own gantry cranes for on and off loading. Their itinerary runs: Auckland, Lytleton, Mount Maunganui, Tokyo, Kobe, Incheon Auckland.

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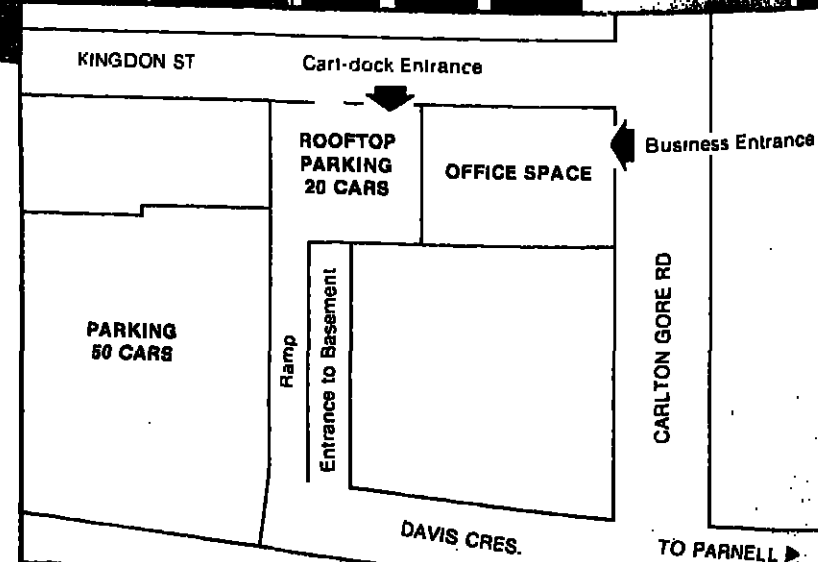
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## Economic miracle falls apart at the seams

Economics Correspondent

THE Government's last standard of economic success has been destroyed. After showing steady improvement since the National Government took office in November 1975, the balance of payments situation deteriorated sharply in the first six months of this year.

And the June figures show that the balance of payments deficit is now rising sharply. For December year 1978, the balance of payments deficit dropped to \$453 million, the lowest it had been since June year 1974. The latest figures for June year 1979 put the deficit at \$627 million.

Economists had warned that the balance of payments deficit would rise from mid-1978 onwards. In the December 1978 issue of Quarterly Predictions, the New Zealand Institute of Economic Research forecast that the balance of payments deficit for the year ended March 1980 would rise to \$660 million.

Improvement in the balance of payments during 1977-1978 was almost totally the result of falling import demand, according to NZIER. "This improvement, however, is expected to end... and a fairly rapid deterioration will ensue as import demand rises again to support modest economic expansion during the first six months of 1979."

While the institute has now revised its forecast of the balance of payments deficit for March 1980 to below \$380 million, it still sees rising import demand as a major force causing the balance of payments situation to get worse.

This increase in import demand can largely be attributed to the Government's electioneering last year. To grease the voters' palms for an election win, the Government increased its spending and reduced income taxes in the 1978 Budget. Given the rather sluggish state of the economy at that time, a little stimulus from the Government would have been no bad thing.

But the Government gave too much stimulus to the

economy. It had to make sure that voters noticed their purses swelling and increased spending fast enough for the change to be obvious by election time.

The income tax reductions took effect from October 1, the month before the election.

It takes a while for the statistics which measure the improvement in individuals' economic position to become available, but by March this year Department of Statistics figures showed that salaries and wages were increasing faster than the rate of inflation. This means that, after buying goods that they normally consume, people had a little left over to spend on something different.

Despite the existence of some stocks build-up, the sluggish New Zealand manufacturing sector could not meet the increase in domestic demand. So after falling for several quarters last year, imports began to increase more rapidly in late 1978.

This increase in imports represents an increased desire on the part of consumers to buy goods not available in New Zealand and the desire of manufacturers to expand production to meet consumer demand domestically if possible.

So, because the Government stimulated consumer demand too quickly for the manufacturing sector, instead of getting a strong increase in the growth rate of local production, the Government's election year stimulus has led to an increase in import demand.

The table illustrating the New Zealand Balance of Payments tells the story quite clearly. Since 1976-77, export receipts have grown at a rapid rate. And the table shows that the growth in export receipts is still on an upward trend.

Import receipts fell in September year 1978, but have been rising since then. The balance of trade peaked at \$577 million for March year 1979, but is now falling according to recent figures for the June year 1979.



THE ECONOMY

Export returns are healthy because of the increase in the volumes and prices received for meat and manufactured products.

Imports have been rising because of the high level of ordering and buoyant aggregate demand during the first six months of this year. Given the expectation that oil prices will increase by at least 50 per cent over the next year and may treble, it seems unlikely that the rising trend in imports will be reversed for some time.

So if the balance of trade is to remain in surplus, the pressure is on exporters to expand their receipts over the next year or so.

Last year, farm sector returns from overseas markets reached a new peak, according to the Ministry of Agriculture and Fisheries 1979 annual report. "Agricultural export values, excluding forestry, rose 13 per cent above the 1977-78 figures to nearly \$300 million. Most of the gain came from beef, with wool income shifting up toward \$700 million and dairy product earnings surpassing \$800 million, to consolidate the trend."

But this new peak may turn into an all-time low by late next year. The European Economic Community is gradually cutting back on New Zealand farm products. And the American economy is unlikely to open its doors any wider over the next year or so.

The American economy is undergoing a slight recession, expected to continue well into

1980. Also, almost unnoticed while the United States was beset with petrol price increases and international pressure to reduce its energy consumption, nature was blessing the North American countryside with timely rains and sunshine. American farmers expect to have a tremendous crop this year.

Good weather means increased farm product supply. The existence of a greater supply of foodstuffs will put the cap on food price rises in the United States for the rest of the year. Prices for some products, for example meats, have already peaked. The good harvest is good news for the American consumer because it means the rate of inflation in food prices will fall below 10 per cent next year.

But the good North American summer is not good news for the New Zealand farmer when it also comes on top of news about sluggish growth in the United States economy next year. A fall in prices there is likely to result in a fall in export income here. Further, with the volume of farm output increasing in North America, the United

States and Canada will join the EEC in not looking favourably at requests for increased quotas of New Zealand agricultural products over the next year or so.

Even if export growth remains healthy and the balance of trade remains in surplus, the balance of payments deficit will increase further this year as a result of ever larger outward flows of invisibles payments (transport, insurance, interest etc.). Despite the Government's spoken intention to introduce constructive policies

to solve New Zealand's invisibles problem, growth in invisibles has not yet abated. Net invisibles have nearly trebled since the National Government took office in 1975. The recent adverse trend in the invisibles balance has been largely caused by the servicing requirements on the large amounts of overseas borrowing required to finance recent balance of payments deficits.

With the prospect of the balance of payments deficit

deteriorating further, it will be necessary to borrow even more from overseas. Already this year Government overseas borrowing has increased substantially.

In a recent address to Wellington businessmen, the Prime Minister and Finance Minister, Rob Muldoon, criticised journalists who portray a gloomy picture of New Zealand's economic prospects for not comprehending the budget. He declared that "this year's budget gave the interested and intelligent observer a much clearer picture of the Government's overall economic strategy".

Indeed, the Government did finally present a sort of economic strategy in this year's Budget. Advice from economists may finally be registering to the Government.

But with inflation rising over 15 per cent mark, unemployment creeping towards 60,000, the Government budget deficit heading for a new record level and the balance of payments deficit deteriorating rapidly, isn't it about time the Government started to do something?

THE NEW ZEALAND BALANCE OF PAYMENTS (\$ million)

	June 30, 1978	Sept 30, 1978	Dec 31, 1978	Mar 31, 1979	June 30, 1979
Exports	3,336	3,125	3,823	3,810	1,011
Less Imports	3,088	3,081	3,117	3,263	3,538
BALANCE OF TRADE	248	44	706	547	502
Net invisibles (1)	-880	-916	-958	-1,039	-1,129
Balance of Payments (2)	-632	-872	-252	-492	-627

(1) Including transfers (2) Current account

## Exchange rates

Exchange rates as at 6 September 1979. \$1NZ is worth:—

Australia	.8938
Britain	.4483
Canada	1.1756
Fiji	.8212
Japan	231.22
West Germany	1.8185
USA	1.0054
Austria	12.28
Belgium	20.18
China	1.8388
Denmark	6.2526
France	4.2432
Greece	36.47
Hong Kong	5.0065
India	7.8518
Italy	815.00
Malaysia	2.1831
Netherlands	1.9981
New Caledonia and Tahiti	77.12
Norway	5.0021
Pakistan	0.7744
Papua-New Guinea	On application
Portugal	49.21
Singapore	2.1593
South Africa	.8327
Spain	66.11
Sri Lanka	On application
Sweden	4.2814
Switzerland	1.8485
Western Samoa	.8853

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# NBR BUSINESS WEEK

## Bank moots 'real' as a dollar replacement

by Peter V O'Brien

THE proposal of Reserve Bank Governor, Ray White, to introduce a "constant value unit of account", which he shortened to a "real", seems a sophisticated combination of the systems of inflation accounting known as "Current Purchasing Power Accounting" (CPIA) and "Current Cost Accounting" (CCA).

White outlined his scheme to a meeting of the Economic Society of New Zealand's Wellington branch.

He said: "Let us explicitly recognise that the dollar is no longer a constant measure of value over time and stop using it as if it were. A replacement would be necessary for this function of the dollar. I suggest the introduction of a constant value unit of account (to save words I shall call it a 'real') for use in future debt and other contracts which require the use of a unit of account and which also involve a time element."

"The real would have a value equivalent to a wide ranging package of traded goods and services. Its value would therefore be related to the dollar by an index of the dollar prices of those goods and services measured by the Government Statistician from time to time."

"On the day of introduction of the real \$100 would equal 100 reals. If the price index rose by 10 per cent in the following year the 100 reals at the end of that year would be worth the same volume of goods but these goods would then be priced at \$110."

"Thus the real would be worth \$110. The price index would have to be compiled and announced at frequent intervals — perhaps monthly."

The Richardson committee into inflation accounting in New Zealand considered the Current Purchasing Power Accounting (CPIA) system.

The method was developed in the United Kingdom, where the Accounting Standards Steering Committee issued a provisional "Statement of Standard Accounting Practice on Accounting for Changes in the Purchasing Power of Money".

The New Zealand Society of Accountants issued a similar exposure draft in 1975.

Richardson described the central feature of the method as: "the adjusting of the accounts prepared on the historical cost basis to reflect changes in the purchasing power of money by applying a general price index. Its concern is the maintenance of the purchasing power invested in the enterprise."

"The unit of measurement in CPP was described as 'general purchasing power units based on the Consumer Price Index. The unit of measurement is a purchasing power unit instead of a monetary unit.'"

Compare that definition with White's "constant value unit of account". But White and the CPP proponents differ on the type of index. NBR asked White last week whether he favoured the Consumers Price Index, or the General Price Index (which compares increases in inputs and outputs, from a base 1000 at the end of 1977. That index is examined regularly in NBR).

White said that a new index was required.

The General Price Index apparently includes some "double counting" in his view.

As an example, he gave the price of stock bought by farmers, which goes into one part of the index, and the cost of meat, which appears in another. Part of the latter includes the former.

For the purposes of the article, it is appropriate to set out detailed aspects of White's "real" system, with the related differences appearing in the elements of CPP and some of CCA.

White would record shareholders funds in real, his first point, and would record loan capital in reals where the debt instrument is denominated in reals.

Under CPP the "capital" he maintained is the purchasing power of the monetary amount of the shareholders' interest in the enterprise at the beginning of the year" (Richardson, p. 67). Monetary items (which include White's "real capital") are "recorded at their present contractual amount. By their nature these items are already expressed in terms of dollars of purchasing power at the end of the period."

Richardson covered some of these matters in four passages about CPP:

• An additional charge is made (to profit) based on restating the opening inventory in dollars of current purchasing power as at the end of the financial year.

• Sales purchases and other costs are increased by the change in the index between the average date on which they occurred and the end of the year. This adjustment increases the profit where increases in sales exceed the increases in costs included in this heading.

• Specific changes in the value of an asset are not recognised until the item is realised (with two exceptions). But the method does measure the increase or decrease in the general purchasing power experienced by the enterprise as a result of holding assets and liabilities.

• In the basis of valuation, a distinction is drawn between monetary and non-monetary items. The recording of monetary items has been described earlier. Non-monetary items are recorded at their historical cost, but are adjusted for changes in the purchasing power of the dollar since they were acquired or revalued.

(Richardson, page 67).

Richardson said one advantage of CPP was that it "highlights the impact of inflation on monetary balances in showing a loss in the case of net monetary assets because of declining purchasing power, and a gain in the case of net monetary liabilities, since liabilities are to be repaid in monetary units of depreciating currency."

Then we come to differences between White and CPP. White's third technique reads: "Purchases and sales of assets whether fixed assets, trading stock or financial assets (if denominated in reals) would be recorded in the general accounts of the business at the time of purchase or sale in reals converted from dollars at the current index. Assets would be revalued each year on current cost principles by reference to the market-place and converted to reals at the then current index."

"The asset account would also record the purchase cost or sale proceeds in dollars to preserve the integrity of double entry accounting. Debts to suppliers would be recorded in dollars and settlement would also be in that currency."

Richardson listed several objections to CPP, two of which appear to be at least partially overcome under White. The first was:

"The purchasing power of money depends on the use which may be made of money. A unit of measurement based on the basket of goods and services comprising the particular index, such as the Consumer Price Index, will not be equally useful to all users of accounts in this respect."

Second: "It disregards changes in specific values of assets except where these fall below the general increase in the level of prices."

White appears to be marrying current cost accounting (CCA) concepts with CPP in these areas.

White accepts CCA principles in regard to holding gains and losses for monetary items, saying these would be treated in "real" terms, as in Richardson.

CCA accounting shows holding costs in respect of monetary items separately. Describing the method, Richardson says, in relation to CPP: "Holders of monetary assets lose general purchasing power during inflation."

"Conversely, holders of monetary liabilities gain. Holders of such non-monetary assets as inventories, plant and buildings are assumed neither to gain nor lose in

times of rising prices."

The Richardson CCA system for dealing with these items is set out in Chapter 19 of the report — pages 132 to 140.

Finally, White would convert balances in all dollar accounts, including dollar denominated loans and investments, to reals on balance day and reconvert them before the opening of the next accounting period.

"The effect of this procedure on dollar denominated investments and borrowings is to make the inflation component of interest non-assessable in the case of investments and non-deductible in the case of borrowings. It thus puts existing financial assets and liabilities on the same tax basis, so far as business entities are concerned, as those denominated in reals. This is a valuable by-product of a system of adjustment which is consistent both within the business entity and in the contractual relations of that entity with outsiders. It thus provides a relatively easy transition from historic cost accounting."

Thus there would be an incentive to save, in the form of financial assets, and to lower

the interest rate payable when financial institutions make investment, for example in house mortgages, a problem which has concerned White for some time, and is one reason for developing the "real" scheme.

White was not advocating indexation of taxes in his paper. He told NBR that indexation was a separate matter. In the paper he says "whether the concept (of reals) should be extended to the income tax scales is a matter for the Government but there are very obvious advantages in doing so."

He is concerned that "action required from the Government would be recognition that the inflation increment in the dollar value of assets denominated in reals would not be taxable, and that business accounts could be denominated in reals and profits assessed accordingly."

Allowance for movements in taxes and prices has been tackled by the British Government.

A new "tax-price index" was released recently in Britain. It measures the impact of changes in both taxes and

effect if prices also rose or remained static. Its release coincided with announcement of price rises following the British Budget which increased indirect taxes, and therefore the price of goods, but reduced income taxes. The index records tax cuts before they appear in pay packets, so the first issue included a series of tax movements which occur through to the end of October. It excludes people on high tax brackets, because under the British system they are paying substantial amounts of tax, and changes to the tax rates at the lower end of the scale have a different impact on them.

The system excludes non-taxpayers, including pensioners, and welfare beneficiaries who are still affected by price increases, but the British have an associated price index for pensioners.

Dealing with inflation realistically (no pun intended) has produced many schemes. A combination of CCA, White's "reals", and a tax-price index, might help to overcome some of the problems associated with all the systems, but there will never be perfection.



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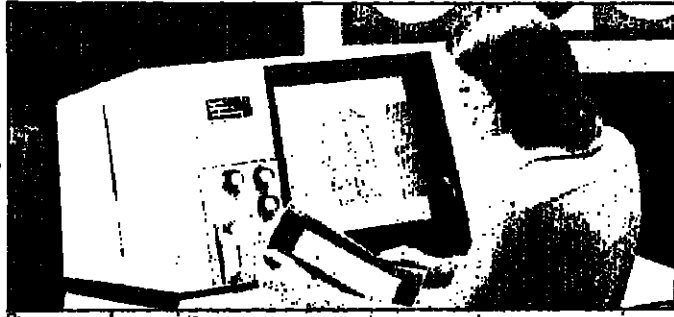
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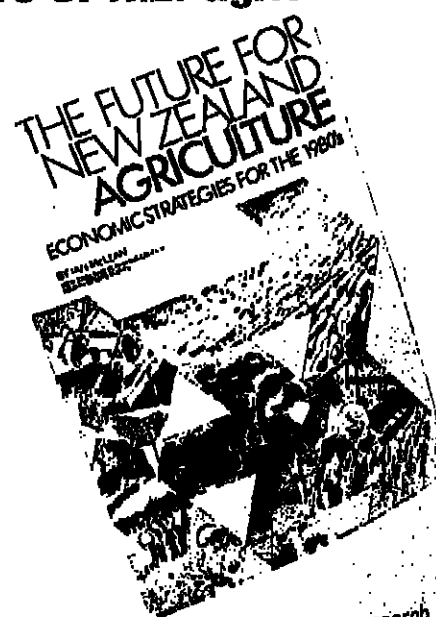
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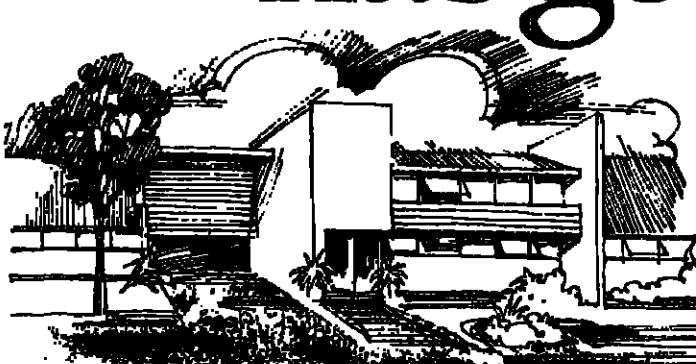


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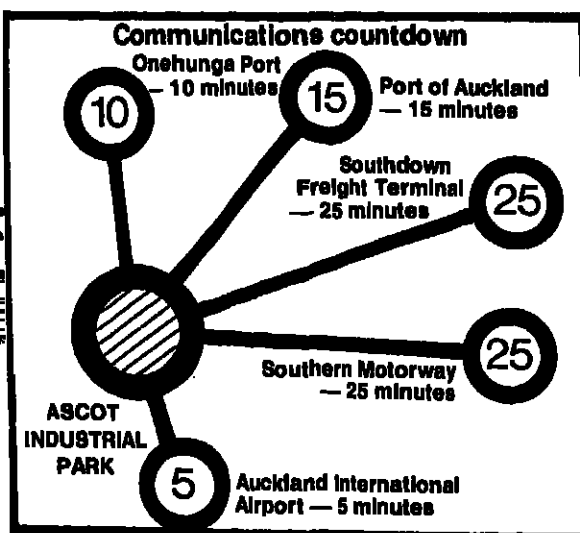
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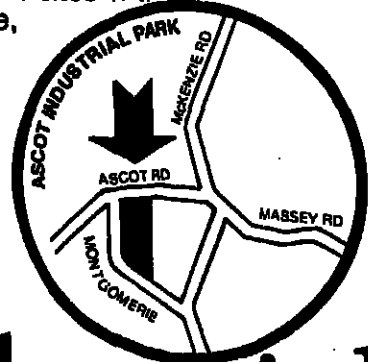
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# Agricultural export: Govt faces hard choices

by Colin James

A LIFT in production this season, but question marks over next — that is the most likely outlook for the meat and wool farmer.

The prospect of a lift comes from the latest annual review of the industry by the Meat and Wool Boards' economic service.

But in that same report are contained the seeds of some hard decisions ahead for the Government.

The review notes that the 1978-79 July-June season was a good one and that of total increased export receipts in 1978-79, the pastoral industry, accounted for roughly two thirds.

The corollary of this, and of the Government's declared support for more rapid growth in agricultural exports, is that production is likely to rise during the current season.

"However," it adds, "investment levels must be increased and sustained if a

significant lift in output is to be achieved."

Other evidence contained in the report suggests that investment levels may in fact begin to fall as higher fertiliser prices affect fertiliser application and the terms of trade (possibly) turn against the farmer again.

The review notes that over the past four seasons, gross agricultural production first rose — by 6.8 per cent in 1975-76 and 1.0 per cent in 1976-77 — and then fell — by 4.1 per cent in 1977-78 and 2.0 per cent in 1978-79.

Total meat and wool production moved differently. After rising in the three years to 1975-76 in the wake of the wool and beef boom of the early 1970s, production fell 6.6 per cent in 1976-77, rose 0.6 per cent in 1977-78 and fell 6.0 per cent in 1978-79.

In each case, the main contributor to the drop in production was beef. Beef and veal production fell 9.1 per cent in 1976-77, rose 0.7 per

cent in 1977-78 and fell 13.7 per cent again in 1978-79.

Wool and sheepmeat production also fell in 1978-79 — by 2.3 per cent and 2.9 per cent respectively. But both have been rising since, wool by 2.8 per cent in 1977-78 and 3.2 per cent in 1978-79 and mutton and lamb by 0.8 per cent in 1977-78 and 1.8 per cent in 1978-79.

This reflects a turnaround in sheep numbers. After falling during the early and mid-1970s to a 10-year low of 55.3 million in June, 1975, sheep numbers rose 1.9 per cent the following year, 4.8 per cent the year after and 5.2 per cent the year after that to a record 62.2 million in June, 1978.

The economic service estimates that this rise has slowed and that there will have been a rise to 63 million at June this year.

Wool and sheepmeat production may therefore be reaching a plateau.

At the same time the fall in beef cattle numbers seems to be slackening.

Beef cattle numbers reached a record 6.3 million in June, 1976, and thereafter have fallen by 3.3 per cent, 4.1 per cent and 4.9 per cent in successive years to reach a six-year low at 5.6 million in June, 1978. In the year to June, 1979, the economic service estimates that beef cattle numbers have remained constant.

Thus, beef production may be bottoming out.

The question for the future is which way production will next move.

Two main factors are involved.

One is fertiliser. The price of fertiliser to the farmer actually fell in the 1978-79 year by 3.7 per cent. The economic service estimates that increased application on meat and wool farms last autumn will have meant an overall higher application during the year to June, 1979.

But in the past year the price has risen by more than 70 per cent, partly because of a halving of the Government

subsidy and partly for other reasons.

This is certain to result in reduced fertiliser applications this year.

Generally, the economic service estimates that an average of roughly 29 kilograms of fertiliser needs to be applied for each stock unit to maintain stock numbers. (This, of course, varies according to the type and location of farm.)

Since the 1976-77 year applications have been above the 20 kilogram figure — around 21 or 22 kilograms.

Any substantial drop in fertiliser application would bring the average below 20 kilograms. The implication of that would be a fall in production in the 1981-82 year, since there is roughly a two-year lag between fertiliser application and its effect on output.

Partly, the rise in fertiliser price may be offset by a general improvement in meat and wool farmers' financial position.

Between 1978 and 1979, but prices increased 8.1 per cent, well below the 15.8 per cent increase between 1977 and 1978.

At the same time meat and wool prices continued to rise, particularly for beef, for which nearly double.

Thus, the meat and wool farmers' "terms of trade" — the relative value of price received against price paid — improved nearly to 1976 levels, though well below 1972-73 boom year level.

Net farm incomes, however, are estimated to be about 1 per cent below 1976-77 level.

Two Budget moves were aimed at helping the farmer maintain his position. One is the 5 per cent devaluation, which will in effect mean a 10 per cent increase in export returns, in New Zealand currency.

The second was the adoption of a flexible exchange rate designed to compensate for differences in the movement of New Zealand export production costs and their foreign competitors.

But this does not compensate for an overall upward movement in production costs.

This year, input costs are expected to rise by 15 per cent, not all of which can be recouped through the flexible exchange rate policy.

"Off-farm" costs, such as shipping and handling charges, are also expected to continue to rise. The cost of getting a lamb from farm gate to the English wholesaler rose 21.5 per cent between July, 1978, and July, 1979.

So, to maintain their "terms of trade", or real incomes, at the 1978-79 level, farmers will need another rise in prices during this year. Though prices continue to hold, there is some reason to fear that by the end of the season there will be a fall, not a rise.

The Government may therefore be faced with some hard choices.

The economic service notes that during the 1976-78 year farm investment was 45 per cent higher than the minimum necessary for maintenance — in other words, it was not enough to ensure a significant growth in output.

The higher fertiliser applications in 1978-79, coupled with more favourable climatic conditions suggest that there will be some lift in output in 1979-80 season, the economic service review says.

"However, if strong continuing growth is to be achieved in the industry, investment levels will need to be higher than has been achieved in recent years," it adds.

During the mid- and late 1970s, Government has rediscovered the economic importance of agriculture, exports to the country's opportunities for economic growth.

How to ensure the necessary investment will be one of the knottiest questions for the early part of next year.

# By George—that surgery may not be necessary

by Belinda Gillespie

THE Wellington Hospital Board's decision to close a surgical ward to save money has stirred usually silent surgeons into making dire predictions of a public forced into long waiting lists for the chop.

So-called non-urgent cases, will be postponed indefinitely, the surgeons say.

Some patients will need more serious surgery and a longer hospital stay when, finally admitted.

Illnesses will worsen as waiting lists grow, and private hospitals and medical insurance schemes will flourish.

But Health Minister George Gair has publicly defended the board's decision, and affirmed his belief that patients really in need of treatment will get it, while only those of very low priority will be stood aside.

The Gair view appears to be that any cut in health costs is a good one. The over-burdened area of health and welfare spending cannot continue to grow at the current rate. And as the biggest spenders in the health sector, the hospital boards must be forced to tighten their belts by a notch or two.

Gair is unphased by the suggestion that the Wellington board may be trying to call his bluff in closing "sensitive" surgical and paediatric wards.

There is no bluff to call — all the money is gone, Gair said the other day, and no action of the board will produce more.

In making up his mind between the accountant's view, on the one hand, and the special-interest group (the surgeons), on the other, the layman is between the devil and the deep blue sea.

Neither side produces hard data — only generalised threats as to the loss of an essential health service, on the surgeon's side, and the jangling of the money-box on the other.

Hospitals are generally regarded as safe places in which to recover from illnesses, and surgery as an essential life-saving procedure. But there are dangers in any form of medical procedure, including bed-rest and aspirin, and surgery is very risky indeed.

The patient who willingly submits to poison gases which knock him unconscious, or has his nerves blocked with toxic chemicals before being cut about by a surgeon has been psyched with a frame of mind where all the usual reactions to dangerous situations are suspended.

The acceptance of surgery as necessary to recovery may be misplaced. Harvard's Professor John Bunker has estimated that 90 per cent of surgery is not emergency in nature but is directed toward the improvement of the quality of life — to the relief of disability, discomfort and disfigurement.

From one country to another, and in proportion to the population, there is a great variation in the numbers of surgical procedures carried out. Assuming that all those who need emergency surgery get it, the differences have been attributed to quality-of-life operations.

Forty years ago, an English doctor noted that more children had their tonsils taken out in some parts of England than in others. An international comparative study 10 years ago found big differences for the rates of several common operations in American, English and Swedish hospitals.

In America, subscribers to some types of health insurance

plans have more operations than others.

Some of this can be explained by differences of medical opinion about whether surgery is required — as with tonsillectomy — and the relative virtues of surgical versus medical management of some conditions (like peptic ulcer).

Some operations, like hernia repair, may be deemed necessary by the surgeon, but are "elective" from the patient's standpoint. Does he want an operation? Can he pay for it? Can he get a hospital bed to lie in? And a surgeon to carry out the operation?

Charles E. Lewis, an American doctor, suggests that these are some of the considerations, apart from the actual incidence of disease, which could be assumed to affect the rate of surgery in a population.

Providing there is a certain minimum number of beds and surgeons to meet need, and operations are performed only when necessary, an increase in resources — beds and surgeons — should not result in an increase in the frequency of surgery.

But in an analysis of the records of the Kansas Blue Cross Association, Lewis found that even among the subscribers to a single medical insurance plan, with equal benefits and equal accessibility to care, there were great variations in the number of operations carried out from one area to another.

Hernia repairs and tonsillectomy were related to the number of doctors certified and performing as surgeons, while gall-bladder operations were associated with the availability of board surgeons and hospital beds.

More surprising was the discovery that even appendix operations were highly associated with the number of hospital beds and operating physicians available.

Lewis refers to an earlier study in the New York area which found that some hospitals had far higher rates for appendectomy than others. Where there were relatively few appendix operations carried out, the death rate from appendicitis was no higher.

The conclusion was that "in areas served by hospitals where operations are not controlled strictly, the simple factor of greater accessibility to hospital and medical care is a deciding factor."

It would be comforting to assume, Lewis suggests, that hospital beds are built and surgeons aggregate in areas that have the greatest numbers of people prone to appendicitis or gall-bladder disease as well as other surgical illnesses, but he has the impression that "ritualistic surgery" — a term which has been applied to operations such as circumcision and tonsillectomy — extends to other operations as well.

Lewis suggests a medical variation of Parkinson's law, where patient admissions for surgery expand to fill beds, operating suites, and surgeons time.

Lewis' conclusions have been challenged by other writers, but no one has come up with a satisfactory answer to the question of variation in surgery in different regions. Studies by Lewis and others at least challenge the doctrine of the infallibility of surgeons and give the health consumer an awareness that they too are subject to human variations in judgment.

The claim that New Zealand is over-hospitalised in relation to its population

size is surprising to someone who has had a long wait for minor surgery.

But "Even our largest and most hard pressed hospital boards run daily with unfilled beds and under-utilised capacity reflecting an ill fitting mix of buildings, equipment and staffing," (D.A. Preston, NZ Medical Journal 1977).

There is no evidence to show that increasing the number of surgical beds available would reduce hospital waiting lists, or, on the other hand that pruning beds will cause a deterioration in public health.

Without going to the extremes of Ivan Illich, who suggests that the medical establishment itself poses a major threat to health, there seems to be enough reason to believe that the existence of hospital beds, even surgical ones, is no guarantee of good health.

In fact, more surgical beds may mean unnecessary operations for a population which accepts without

question that surgery is an essential procedure.

The closure of a hospital ward is a procedure bound to arouse public alarm.

Again, the surgeons' claim that the closure of a surgical ward will lengthen waiting lists is an emotive one, which has been countered by the suggestion that the waiting list in itself performs an important weeding-out function, giving time for patients to reconsider, and natural causes such as death or recovery to take effect.

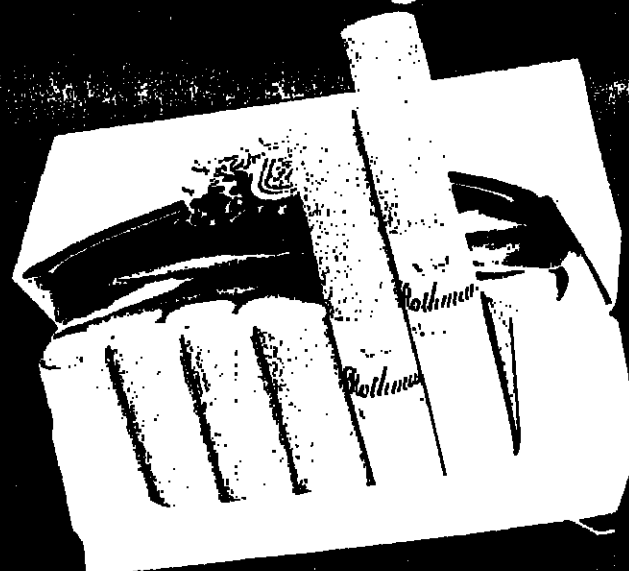
Gair's apparent lack of interest in what form cuts to the hospitals' budgets are made, as long as they happen, is perhaps greater cause for alarm than the closure of a surgical ward in itself.

Accountant — like ad hoc tinkering with the hospitals' budgets seem doomed to failure. Boards in some cases have commitments up to 25 years ahead, and the Government is making only minor changes where a whole new direction is needed.



GEORGE GAIR... there is no bluff to call.

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Lockwood means two things: firstly, a building system which gives amazing strength by locking solid wooden walls together. (A standard Lockwood house was subjected to 22 simulated earthquakes — it came through in

perfect condition). It also means a building philosophy which combines stringent standards of quality and flexibility of design with the maintenance-free aspect Lockwood pride themselves on one of the finest design teams in the country — and right at home.

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Lockwood Buildings Limited, P.O. Box 1349, Telephone 85 184, Roturua, New Zealand. Telex: NZ11100 NZ11100 Lockwood "Lockwood"



# Ogilvy & Mather reports on its ninth successful year in New Zealand

## Annual Turnover passes \$6,000,000

In August 1970, Ogilvy and Mather started from scratch in New Zealand. In the short space of nine years, we have established ourselves as a widely-based, full-service advertising agency with offices of equal size in Wellington and Auckland. We serve 37 blue-chip clients with a staff of 60 and are continuing to grow with our clients and new gains.



KENNETH L. BRADY  
Chairman and Chief Executive

Ogilvy and Mather is a young agency. It provides an environment where talent is encouraged to "grow". We've launched New Zealanders onto the international market where they've made their mark within Ogilvy and Mather International in countries like Australia, Singapore, Thailand, Hong Kong, Italy, Holland, Canada and the United States.

We used to borrow talent from abroad. Now the agency is fully staffed by permanent New Zealand residents. We're growing and keeping our clients.

The challenge is to recruit people who are able enough to do the difficult work our clients require from us. Our growth largely depends on our ability to develop a large cadre of able partners. We welcome opportunities to talk to potential partners, anytime.

Ogilvy and Mather has consistently met its annual growth objectives without takeovers or acquisitions of other agencies. We have grown purely on merit. Now, we are interested in discussing merger opportunities.

### Why and how are we different?

The differences between the most successful agencies are not all that great. But here are seven differences we see at Ogilvy and Mather:

1. Magic Lanterns. We are students of advertising. We have accumulated a unique body of know-

ledge about what works and what doesn't work. How to create advertising that sells in a score of fields. All based on millions of dollars' worth of research and hundreds of man-years of experience. And all encapsulated in presentations we call our Magic Lanterns.

When we say "unique", we mean just that. Nothing like our body of knowledge exists in any other agency, in any university, anywhere. It helps us bring discipline to the creation of great advertising.

2. In business to sell products. We have won fewer awards for creativity than any other agency. That's because we have had a policy not to enter contests. We believe we are in business to sell - not to win prizes for our art directors.

We know that if we create advertising that sells, nothing else matters.

3. Training. We have more and better training programmes, in every discipline, than any other agency. Ask the other agencies.

This is one reason why our ablest people stick with us.

4. Involvement and mutual respect. We believe in intimate involvement with our clients. But we say what we believe; we are candid to a fault; and we stick by our guns.

5. Only first-class business. We believe in the principle of "Only first-class business and in a first-class way" - in the selection of our clients, in our work for them, in

the conduct of all our affairs. When faced with the need to make a decision, we ask ourselves, "Is this really first-class?" Usually, that keeps us out of trouble.

6. Community citizens. We believe our responsibility to the public extends beyond producing fine advertising. Each year we create materials for Save the Children Fund and The World Wildlife Fund campaigns at no charge for our services.

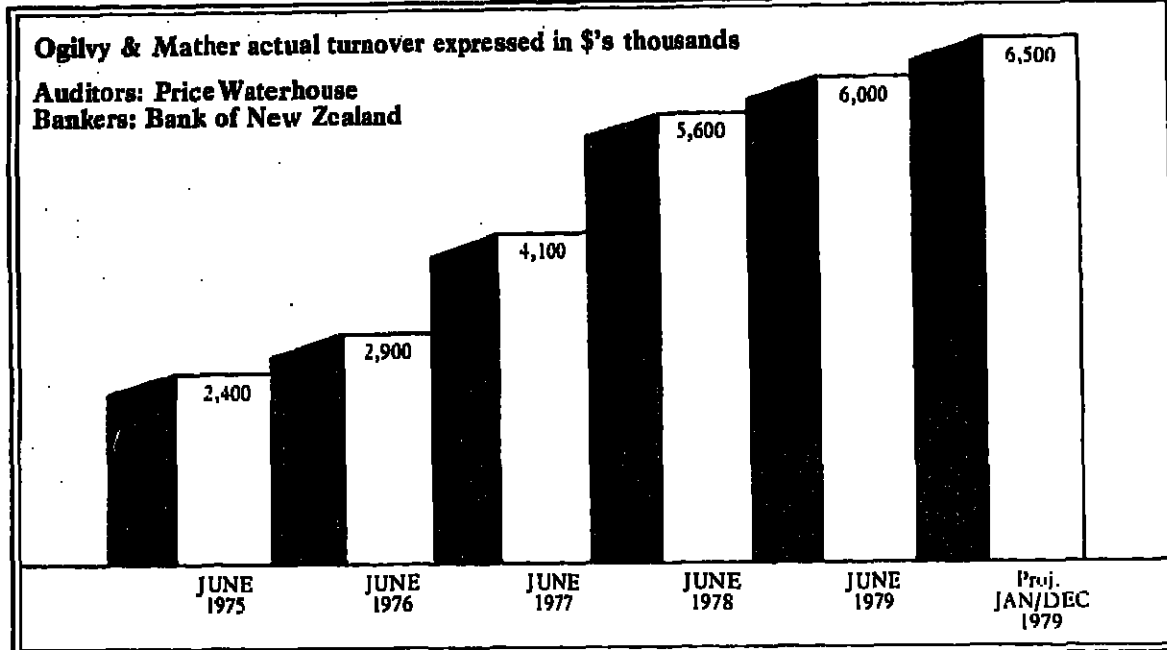
7. Ambition to succeed. We have really tried to grow. Doesn't everyone? Well, it is a matter of degree. We are terribly ambitious - for our clients and for ourselves. Since 1970 when we opened in New Zealand we have set progressive five-year targets. We have always met and passed them.

### Ambitious clients make good partners

Our success is rooted in the success of our clients. We have produced a large number of outstanding campaigns, judged in terms of sales successes.

We are confident that we will continue to help our clients achieve such successes because we provide truly creative advertising, based on sound strategic thinking, backed by market research.

Beware disciples of the philosophy that frivolity sells. Consumers won't buy your product just because they have been entertained by your advertising.



Auditors: Price Waterhouse  
Bankers: Bank of New Zealand

Ross McCauley. (Age 31) Creative Director, Wellington, made a notable impact at the Ogilvy and Mather Creative Fellowship Course in New York in 1978.

Barry Manley. (Age 31) Director, Client Services, Wellington, will attend the Ogilvy and Mather University at Frankfurt (Advanced Account Management Course) in November and will return to teach.



John Brooks. (Age 45) Creative Director, Auckland, has worked for Ogilvy & Mather in Malaysia, Italy and England and continues to study the craft there. Ogilvy and Mather International owns here and abroad. John has served Ogilvy and Mather clients for ten years.

Paul McElwain. (Age 32) Director, Client Services, Auckland, attended the Ogilvy & Mather University of Toronto (Advanced Account Management Course) in November 1978. Paul has completed two-week training sessions. His experience in London agencies swells his knowledge.

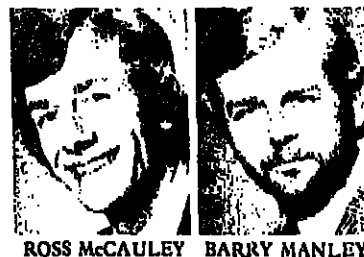
### Our Clients

Ogilvy and Mather is the fourth largest advertising agency in the world, and still the fastest growing. We are an advertising agency with world-wide resources. But to us clients for whom we work overseas have to demonstrate our local capacity to produce outstanding advertising.

Few companies are prepared to saddle their local managers with such international connections. However, with a strong local agency, the results can be great.

More than 70 percent of our business comes from domestic clients or international companies with whom we work only in New Zealand.

We welcome new challenges. If you are reviewing your current advertising requirements, let us to Ogilvy and Mather. There is a difference between advertising agencies.



ROSS MCCAULEY BARRY MANLEY

## Ogilvy & Mather Advertising

60 Parnell Road, Auckland 1. Telephone 34-929.  
World Trade Center Tower, Sturdee Street, Wellington, Telephone 851-700

### Ogilvy & Mather clients in New Zealand

Alex Harvey Industries  
Crown Crystal Glass, N.Z. Glass  
Manufacturers, AHI Closures, AHI  
Agencies, AHI Chemical Engineering  
Services, AHI Paper Products, AHI  
Superfine Lime, Laminex  
American Express International  
Travellers Cheques, Wholesale  
Travel, Retail Travel  
Ansett-Pioneer  
Coach Tours of Australia  
Avon  
Cosmetics  
Bank of New Zealand  
Banking Services, Recruitment,  
Travel

Bata Company  
Footwear  
Black and Decker  
Power Tools and Home Handyman  
Accessories

Bonds  
Apparel, Furnishing Fabrics,  
Penelope and Leggings Pantyhose  
Bovril  
Bovril Beef Drink  
British Tourist Authority  
Tourist Promotion  
Cadbury Schweppes Hudson  
Boxed Chocolates  
Country Foods  
Swiss Maid, Loyo and Rainbow  
Yoghurt, Country Goodness Cottage  
Cheese, Cream Cheese, Sour Cream,  
Cheesecakes and Dips  
Database Systems  
Corporate and Recruitment

Dunlop  
Dunlop Tyres, Dunlopillo Mattresses  
EMI  
Records  
ETA Foods  
Bn Krunchi Krips, Chicken Chips,  
Potato Sticks, Nuts, Mayonnaise,  
Dressings, Sauces, Peanut Butter  
Feller  
Heritage Carpets, Corporate  
Fountain Corporation  
Delta Compact Stereo Systems,  
Toshiba Calculators, Headphones and  
Turntables.

Irvin & Stern  
Retail furniture stores  
Johnson Wax  
Glado, Goddards, Jeyes, Q'tol, Pledge,  
Agree, Freedom, Multi, Chef Mate, Off  
McCulloch Corporation  
Chain Saws

Marshall Cavendish  
Book Partworks  
Mazda Motors  
Cars and Trucks  
Monsanto  
Agricultural Chemicals  
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Cruises  
N. M. Poyser  
Voss Deodorants, Katherine Gray  
Soaps, Ayds, New Products.  
Price Waterhouse  
Recruitment  
Rheem  
Containers, Hot Water Systems

Save the Children Fund  
Fund Raising  
Shell Chemicals  
Agricultural, Horticultural, and  
Industrial Products  
South Pacific Credit Card  
American Express Card  
The Great Outdoors Company  
Camping Equipment, Outdoor  
Furniture  
Unilever  
Continental Brand: Vesta, Stockport  
Surprise, Thick-o-Matic, Quick  
Cup-a-Soup, Popsicle, Quick  
Custard, Rice Pudding, Savoury  
Lever: Comfort  
W.D. & H.O. Wills  
Borkum Riff, Kent, Sportman,  
House of John Player  
World Wildlife Fund  
Wildlife Conservation

## Selling to sun-seekers

IF YOU meet any friends wearing a new golden tan, don't rush to the conclusion that they've just returned from a Pacific Island holiday.

It could be that they have merely been basking under a Philips sun lamp. There has been a considerable increase in the numbers of baskers lately.

Last spring Philips eased its sun lamp on the market but as winter was past there was no promotion of any consequence. Nevertheless, the sales experience was encouraging.

This year, a big sales target was set and there was time to organise a planned marketing operation for winter selling. The time to sell summer, as tourist operators know, is in the winter.

Like migrating godwits, New Zealanders in their thousands yield to persuasive sell and fly north toward the equator and the sun during our winter months.

This Philips operation called for the stay-at-homeers to bring the sunshine indoors with a sun lamp.

The marketing proposals had their derivation in extensive market research

When you can't get to the Mediterranean Philips can get the Mediterranean to you



PHILIPS

carried out by the agency, Ogilvy & Mather, with the object of identifying the primary target markets and the propensity to purchase.

This was followed by copy testing designed to check out on promise and communication elements. The primary target markets were found in the male and female middle and upper groups; those with leisure opportunities and having some concern for appearance.

They were looking for a natural looking tan but were concerned with safety factors involved in using a sun lamp.

The new Philips product overcomes the disadvantages

considered a very high target for a luxury item at a time like this. "O & M executive, Barry Manly told Admark.

"With half the budget spent, and it is a medium rather than a large-sized budget, we are right on the sales target to date. We still have another promotion to stage. Dealer reaction has been excellent and co-operation has been evidenced by massive in-store display support," Manly said.

Television could not be considered for this campaign,



ADMARK

Manly said, because of the need to tell the sales feature story so specifically.

Media selection for this campaign once again illustrates that no one medium can do everything.

With the co-operation of advertisers and their agencies, this page is happy to record stories of advertising or marketing success. We believe that any ideas or techniques that point to a more efficient use of the selling tools at our disposal are beneficial to business. And what's good for business is good for all of us.

and risks of sunburn which were often painfully realised in much earlier models. It has safety features which ensure tanning without burning - even switching off the lamp when the daily session is completed.

Because of the importance of the copy story, it was necessary to detail it in print. Listener and Women's Weekly colour were used to reach the target market, although the media weight was in favour of women.

The copy theme was "You are my sunshine" and the copy boldly declared that "the sun is no match for these safety features".

Stoutly resisting the opportunity to display obvious areas of female puerility, the agency made the product the hero of the illustrations. But although the print medium was used to provide the solid sell of product benefit, the promotion was fired by a short, sharp and unusual radio burst.

The action was concentrated into five days culminating and climaxing on the shortest day of the year.

Five private and four RNZ stations were used in a mix of 30 and 60 second recorded ads plus ad lib.

Stations were provided with complete kits including a taped introduction to the campaign, reprints of magazine advertising, separate jingle tapes, with "you are my sunshine" as a natural and other supporting material.

The client had set what we considered a very high target for a luxury item at a time like this. "O & M executive, Barry Manly told Admark.

"With half the budget spent, and it is a medium rather than a large-sized budget, we are right on the sales target to date. We still have another promotion to stage. Dealer reaction has been excellent and co-operation has been evidenced by massive in-store display support," Manly said.

Television could not be considered for this campaign,

be increased for some time, the competition will largely centre on CNG.

The industry as a whole is scarcely more than poised for take-off so the Mesco ad is seen as a positioning tactic and a pre-emptive bid for the early attention of motorists.

Selling CNG will provide a testing marketing exercise. There are suitable company applications but selling to the private motorist means overcoming some formidable obstacles.

A conversion kit costs approximately \$850. Its weight is sufficient to affect the performance characteristics of the car.

Other members of the panel are James Falconer from Thompson Advertising, Wellington; Peter Hansard, Dobbs Wiggins McCann Erickson, Auckland; Roger Hutton, Atherfold: Rimmington, Hamilton; Ray Kelsey, Charles Haines, Wellington; Ian Mackrill, SSC and B. Lintas, Auckland; Grant Marshall, Monahan Dayman Adams and Partners, Auckland; Len Potts, Cotenso Communications, Wellington; and Colin Simon, J. Hott, Wellington.

THE judging panel for the INL Award has been announced and its composition should meet with general approval from intending entrants.

A chairman appointed from Australia should provide a detached and objective viewpoint and the eight creative directors who make up the body of the panel represent a wide spectrum of agencies and bring a wealth of experience to the task.

But all of the panel are male. From all the creative people in New Zealand can we not find even one woman with the necessary creative background and critical faculty?

Bryce Courtenay, managing director of Harris Robinson Courtenay Advertising, Sydney, is the chairman. As seminar convener and moderator of the Caxton Awards in Australia, he will be playing a familiar role. A former company and creative director of McCann Erickson and J. Walter Thompson, he has won many Australian and international awards.

Other members of the panel are James Falconer from Thompson Advertising, Wellington; Peter Hansard, Dobbs Wiggins McCann Erickson, Auckland; Roger Hutton, Atherfold: Rimmington, Hamilton; Ray Kelsey, Charles Haines, Wellington; Ian Mackrill, SSC and B. Lintas, Auckland; Grant Marshall, Monahan Dayman Adams and Partners, Auckland; Len Potts, Cotenso Communications, Wellington; and Colin Simon, J. Hott, Wellington.

Milk it in passing

JUNE 27: We ran a story critical of television milk advertising, expressing the hope that it made sense to the target audience.

August 1: We published a letter from Manure, the agency responsible, lambasting us for our views.

August 20: The Wellington City Council reports that milk sales to the end of July have dropped 5.2 per cent on last year.

Certainly milk has savagely increased in price, but should that affect those free-spending swine that we see on television?

## Radio Pacific hits big time

RADIO PACIFIC has hit the big time in the latest BCNZ survey capturing 15 per cent of the day time 10 plus audience.

This places Radio Pacific in the number three slot in Auckland behind 12B and Radio Hauraki.

The last BCNZ survey rated Gordon Dryden's new private station at nil and showed BCNZ Government-owned stations rocketing to the top.

At that time the private stations hotly contested the BCNZ's methodology and results.

Also contested was the Government-owned radio stations use of these allegedly spurious results in a direct mailing campaign to advertising agencies (see NBR, June 13 1979).

But Dryden was cock-a-hoop about the latest BCNZ results. He even paid out his \$1500 to subscribe to the survey while some stations and ad agencies had threatened to cancel their subscriptions after the BCNZ's last effort.

Dryden was particularly pleased that Radio Pacific had broken 12B's hold on the breakfast listening audience with Pacific's Dave Beaton competing with Radio New Zealand on news.

The ratings for the 6 to 9 am breakfast session for the 10

plus age group in per cent of audience share were: 12B 33, Hauraki 25, 1YA 14, Radio Pacific 12, 12M 9, Radio 1, and 1YC 2.

12B pipped Hauraki at the post in the 10 plus stakes with 27 per cent of the audience versus 25 for Hauraki.

12B, Hauraki, Radio Pacific and 1YA were strongest in the 20 plus age group. In this age group 12B led with 30 per cent, followed by Hauraki with 20, Pacific with 18, and 1YA with 18 per cent.

The following is a breakdown of results of the latest BCNZ survey compared with the five surveys published in May-June this year.

The earlier BCNZ survey was published in three parts. A four week survey of a small sample covering Radio Pacific's entry to the market. A nine-week survey... And a 13 week survey combining the 4 and 9 weeks surveys.

McNair's survey was commissioned by Radio Hauraki and 12B. When the Government-owned stations started crowing about the results of the BCNZ's four week survey McNair was asked to produce some results and these were used to counter the BCNZ results.

Radio Pacific's survey was done by telephone, and while viewed with some scepticism by the ad agencies, has proven to be fairly accurate - if the latest BCNZ survey can be assumed to be a standard.

### AUCKLAND AUDIENCE SURVEYS 8 AM TO 12 PM MONDAY TO FRIDAY 10 PLUS

STATION	McNair	BCNZ 9 wks	BCNZ 13 wks	BCNZ 1 wks	RADIO PACIFIC	LAST
Hauraki	28	34	30	20	22	25
12B	30	31	31	32	31	27
12M	14	9	12	17	7	11
Hauraki	8	9	10	10	9	6
1YA	1	13	14	15	15	13
1YC	1	4	3	2	2	3
1YA and 1YC Pacific	8	-	1	4	15	15

## THE NEW ZEALAND BUSINESS PLANNING SOCIETY (INC.) 7th ANNUAL CONFERENCE

OCTOBER 10-13, 1979

at the

### WAIRAKEI RESORT HOTEL

Theme:

### "THE PRACTICALITIES AND POLITICS OF PLANNING"

This year's Conference will be directed by Dr Peter F. Mueller, Director of Planning at ITT in Brussels. It will also feature a special look at Marketing, Planning and Personnel Planning as well as discussing in-depth a New Zealand Case Study. As such, both the practical and theoretical aspects of Planning on the international and domestic scene will be presented which promises to make the Conference one of the best yet. For further details please complete the following:

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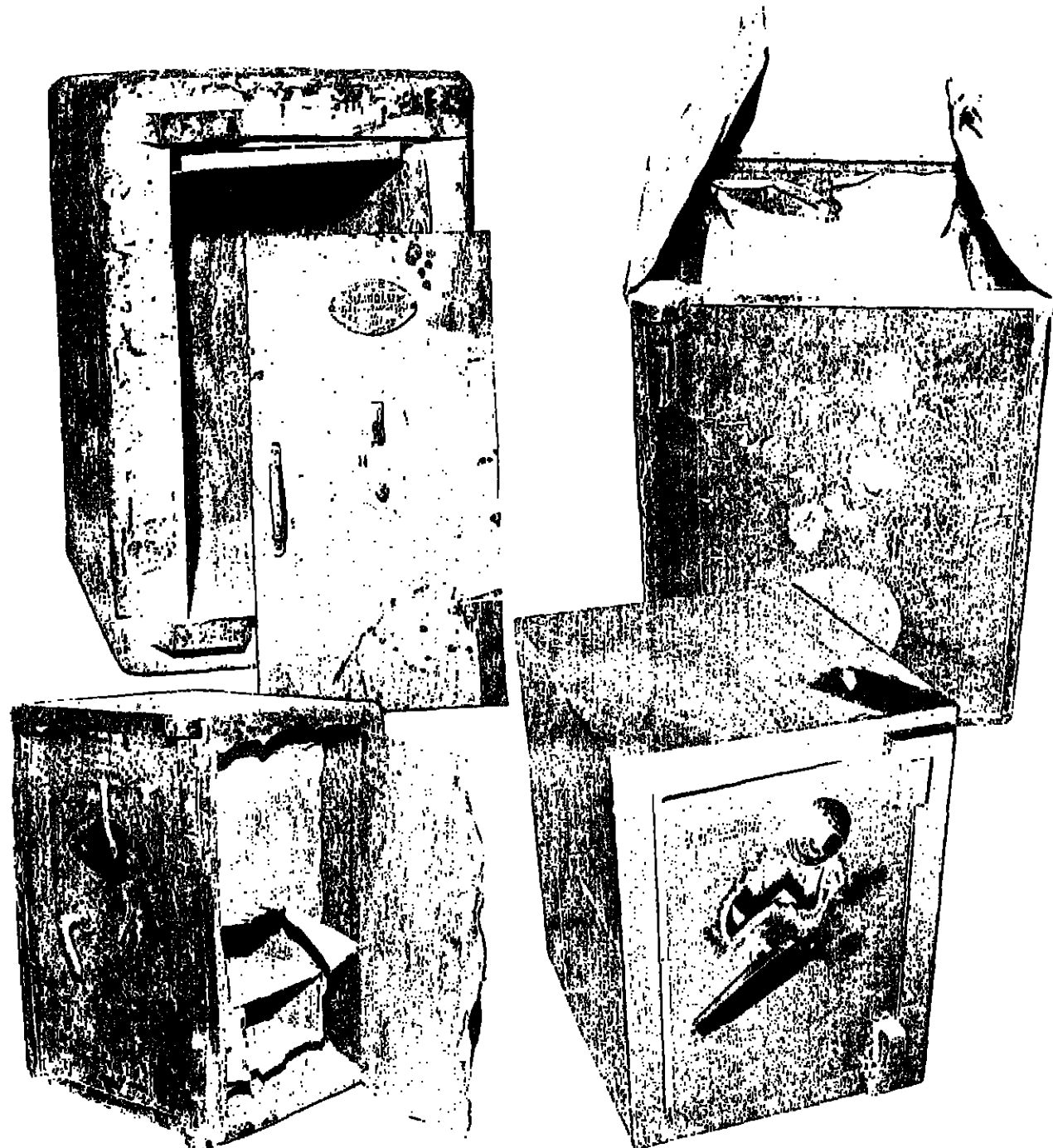
A substantial firm of professional accountants with international offices is seeking the services of an experienced senior accountant for a key position in their Port Moresby office. The firm requires a professionally qualified person with at least four or five years' chartered accountancy experience, including substantial responsible involvement in audit work. The audit manager they require will be assistant to the resident partner and will have responsibility for an extensive range of varied clients operating in a buoyant and expanding economic environment. Conditions of employment are excellent and include a salary in excess of the equivalent of \$NZ25,000, a three bedroomed house, car allowance, and annual return air fares. Tax rates are relatively low and there are excellent opportunities to save. Offices are of a high standard and the environment generally is an easy relaxed one offering good recreational and sporting facilities. Evening enquiries to John Menzies, Phone 2567809.



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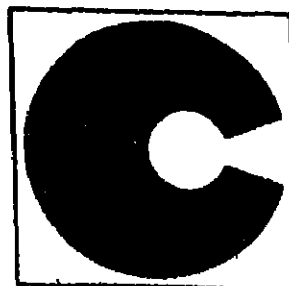


# These old safes were no match for today's thief...



## is yours?

Many businesses who pride themselves on their up to date methods are still using safes that were obsolete years ago. Safe breaking techniques have progressed so rapidly in recent years that any safe more than 15 years old is now a high risk. Call Chubb for expert, up to date, security advice before it's too late.



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peace of mind for  
over 160 years

Auckland: 799-325 • Wellington: 721-444 • Christchurch: 67-368 • Dunedin: 740-641

# Salt II and CO2 bode well for N.Z.'s future

by Michael Hirschfeld

New Zealand businessmen are pessimistic about the immediate future, but there are grounds for taking a more positive outlook in the longer term.

Unfortunately the longer term implies just that — a 10 to 15 year view, and takes into account some major but slow-moving world adjustments.

But many of the world's problems may prove a greater handicap to other countries than to New Zealand, whose resources may make the adjustments more simple with consequent gains to our economy.

Though the rate of New Zealand's economic decline is hardly known outside the members of the international financial bureaucracies of the IMF, OECD and World Bank, some far-sighted businessmen, looking at the more realistic futuristic predictions, are beginning to consider New Zealand as a rational long-term investment possibility.

There is no single factor which has started to direct attention to New Zealand. Rather it is part of the decline in expectations for the future of the traditionally industrialised West.

In America, the land of perennial economic optimism, where the expectation of economic growth is learned through the baby's bottle, the polls show a dramatic turn-about. One of the major reasons for President Carter's retreat before the announcement of his energy programme, a retreat which tried to reassess his basic directions, was the fact that for the first time ever since the polls asked this question a majority thought "that the condition of the American economy during the next five years will worsen".

To explain the widespread feeling of depression apparent in America requires a study of several of the dominant issues now perplexing the American mind. And from an examination of the negative impacts that are likely on this society, a study of their effect on New Zealand suggests a somewhat brighter result.

Let's start with the basic issue of physical survival.

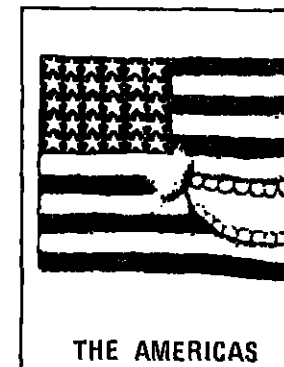
Salt II (theoretically) is designed to improve all our chances. But as more and more attention is focused on the reality, it is becoming clear that all it does is limit the number of missiles or vehicles, while allowing an increase in American nuclear warheads from 9000 to 17,000 by 1985 with similar or greater increases by the USSR.

In all probability it will only be passed on the condition that more money will be spent on more conventional arms, or there is the still worse possibility that it won't pass the Senate at all, setting up a massive nuclear arms race (that neither either needs or can afford) which will take place in an atmosphere of confrontation and distrust.

Those who are opposing the treaty are also busy painting this scenario: the Russians are able to launch a pre-emptive strike, so damaging the American response, that any United States strike, though able to obliterate metropolitan Russia, would be pointless because the Soviet counter-strike would totally devastate the United States.

All of this isn't exactly encouraging to American citizens. And as they look around the world, they see places that might just escape.

In my first two weeks in the United States three people



THE AMERICAS

(well-established, not Utopian idealists) have asked about the possibilities of buying land and a home in New Zealand.

Moving on to other current and more immediate problems, Chrysler looms as the first of the current dinosaurs, struggling to fight its way out of the energy created turpids.

But Chrysler is only the most visible of the problems that energy is posing in this country. Essentially, the United States is energy rich, particularly when one looks at the vast resources to be tapped from coal and oil shale resources.

The problems are only starting now that Carter has decided to keep the huge American appetite supplied with all the energy it needs to waste. The problems to be faced, technically and financially, are getting lots of airing and analysis.

But the impact of the new energy industries on other

rather through the growing struggle of Cesar Chavez to bring a decent standard of living to this group of floating irregular workers.

As if all these reasonably short-term problems were not enough, another problem is emerging.

Since the industrial revolution man has burned a growing amount of fossil fuels. This has led to a gradual build up of CO<sub>2</sub> in the atmosphere, which was thought likely to double by the year 2030.

Growing evidence suggests that this will have a greenhouse effect, heating up the earth by an average of two degrees, though in higher latitudes much greater increases could be expected.

More significant than the temperature increases expected, would be the changes in wind and rainfall patterns. The year 2030 seems a long way off, but with the growing emphasis that is being placed on coal as an energy resource in the United States and in other areas of the world, including New Zealand, the rate of CO<sub>2</sub> build up is expected to more than double, yielding a weather change situation by the year 2030. That is now within the orbit of existing policy makers.

Apart from the relatively well-publicised danger of the melting of the polar ice caps, what other changes may follow? This is an area in which a growing amount of scientific endeavour has been



PRESIDENT CARTER... keeping the huge American energy appetite supplied.

parts of the economic structure are only receiving attention in those areas that will undergo the as yet less well explored changes.

One of the problems of the new energy technologies is that they are enormous consumers of water, and the main American alternative energy resources are in water short, agriculturally intensive states.

One of the changes in the American West is that the federally subsidised cheap water is becoming a rarer resource. California's last drought came close to wiping out vast areas of fertile California farm land, and now the battle is about to be joined not with nature, but with the competing energy forces.

Already thousands of hectares are being lost annually, as the price of water rises, and the process looks like accelerating.

This in itself is not enough to immediately threaten American food self-sufficiency, but it will drive up prices.

Not only are water costs rising, but so will fertiliser costs and freight.

The supply of cheap, often illegal Mexican labour, is also being slowly cut off, not so much at the sieve-like border,

expended and some early predictions have dire consequences for the United States. If true they would open significant opportunities for New Zealand.

Some 5000 years ago there was a similar hot period on the earth called the all-thermal period. In part, by drawing on this period, some rainfall predictions have been made.

Put simply, the central United States would become desert-like, totally unsuitable for growing wheat and corn.

And while the United States could change from the world's major grain supplier into an importer, the USSR would experience a several week-longer growing period, with larger amounts of water to ensure good growing seasons.

It could become the major world grain supplier, replacing the United States, with obvious accompanying international tensions; though Canada and Australia could be the two other major food-weather beneficiaries.

All this points to an increase of capital expenditure in the agricultural sector, with modern drip irrigation; controlled environmental farming, as America turns to long-term policies to ensure their basic food self-sufficiency.

Already those concerned with this issue are saying that food is too cheap, and that to repay the capital costs associated with agricultural production, food prices at the farmgate level will have to rise.

Because there is a good chance that this man-made change in climate will provide both additional heat and rainfall to New Zealand, as the free gift of Nature our competitiveness and importance as a food supplier could be enhanced.

The decisions being made in the next two years about the world's energy future may

have vastly greater side effects than appear obvious at first thought.

Changes in the world's weather patterns may become obvious by the end of the century. Along with changes in domestic food production, we may see shifts in the international balance of power, that make the progress of Salt and future arms control negotiations of real and immediate importance.

These linkages can occur regardless of what we in New Zealand think or do.

But if expenditures such as those on the Commission for the Future are to pay the

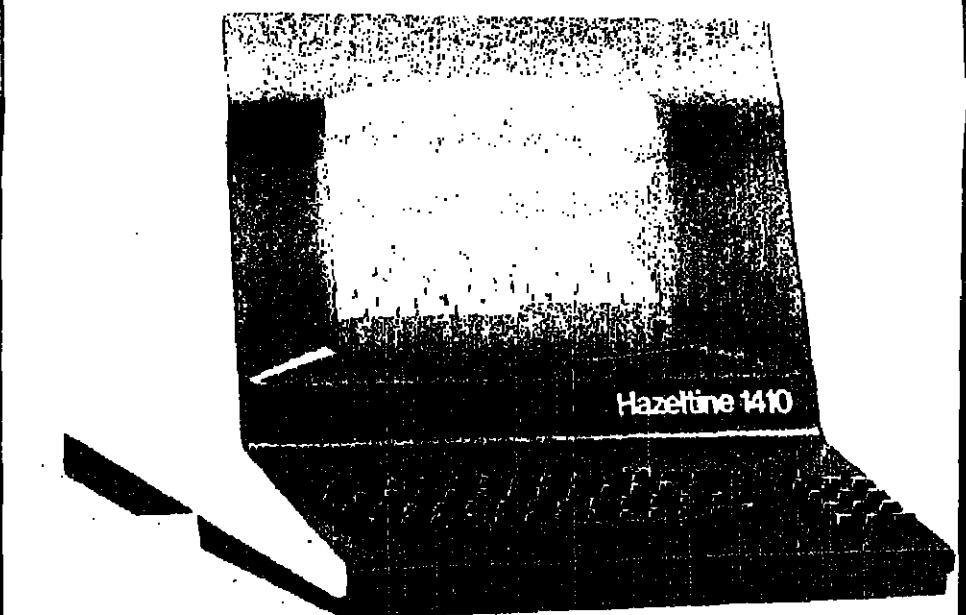
necessary dividends, we need to know more exactly the likely CO<sub>2</sub> induced weather effects on New Zealand, and to build on knowledge rather than expect manna to fall from the heavens.

While the prospects may appear to be bright at this distance and in comparative ignorance, these long-term governmental problems are now the subject of academic-political discussions here in the United States.

Hopefully attention and thought will allow us to prepare for the prosperity offered as well as the inevitable problems.

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# Exhibitors negotiate to exclude general public

by Rae Mazengarb

AUSTRALIAN exhibitors boycotted Wellington's World Trade Fair. And several embassies indicated they would not be interested in participating until changes were made to the format of the fair.

One official from an embassy which gave the event a miss, said many stands which overtly represented their countries were not in fact official.

It seems that in the days preceding the fair, exhibitors had differing views of what trade fairs were all about.

Should they be public or should they be geared to trade buyers only?

It is too soon to measure the fair's success in straight economic terms. Figures showing sales turnover will not be available for a month.

But according to show promoter Dick Dundas, the show was "a brilliant success". Exhibitors reported they had sold well and no one complained, he said.

Import licences may yet prove the stumbling block for long-term orders, but most goods brought in for the show under special import arrangements had sold out.

Dundas said he was not impressed by the Australian boycott, since the Wellington Show Association cut down the number of public days at the Australian exhibitors' request.

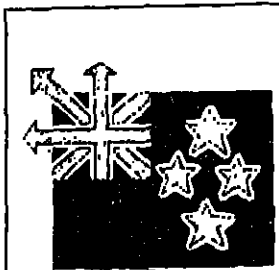
So much for economic cooperation, he said.

In the past the Australian Government has been one of the main supporters of the fair, held alternately in Wellington and Auckland.

But Australian exhibitors objected to the length of the fair — up to 21 days — and the admission of the public.

Many said they made their money during the trade days and regarded the public days as an unwanted cost. The atmosphere was not conducive to trade negotiation.

"We're disappointed our traditional partners were not interested in coming along", said Dundas, referring to the



OVERSEAS TRADE

Australians.

But it is understood, the show association was disappointed with the turnout from other Western countries, such as Britain and the United States.

Many observers called it a real consumer fair. Dundas acknowledged this as "fair comment".

But it was necessary to provide for the needs of all the exhibiting nations. Some were there for straight trade deals, others were there to meet the consumer direct.

Dundas commented the mix of public and trade days provided a good testing ground for the goods.

"If the public queues, the retailers will order", he pointed out.

The Wellington fair was dominated by China and the USSR this year. Both had very large displays and had mounted a major drive to promote their goods in New Zealand.

These efforts evoked comment from many quarters that these countries were merely engaged in an expensive PR exercise. Would the buyers make it worthwhile?

According to an official of one of the Western embassies, "It was more propaganda than sheer business".

The Chinese stand, by far the largest in the fair, featured diesel engines, alternators, pumps, textile machinery, electrical instruments and laboratory equipment.

And they sold most of it. Dundas said, all but two of

the large pieces of machinery were sold, and one of the machines that didn't sell "was just a punt".

A Chinese official confirmed the fair was successful and most goods were sold.

Most of the negotiations were conducted on trade days he said, but more orders were expected for those things that sold well.

The most significant aspect of the fair was the potential for further development of trade in the future, he said.

In the Soviet camp, ambassador Vsevolod N. Sofinsky had made it clear that his country was particularly interested in opening markets for cars and hydro-electric equipment.

The Lada cars were a big hope for marketing in New Zealand and toward fair's end over 3000 requests for Lada vehicles had been received.

Under present import arrangements, the Soviets can only sell 300 here a year, yet they repeatedly told reporters they would like to see that figure rising to 20,000.

Trade and Industry Minister, Lance Adams-Schneider said: "New Zealand cannot expect the Soviet Union to cut back on its own agricultural production in order to allow larger imports from New Zealand."

"Similarly, it is unrealistic for the Soviet Union to seek substantial long-term imports of completely built-up Lada cars to the detriment of the significant New Zealand assembly industry."

He added, the import licences for the Lada cars were granted on the basis that from the third year they would be assembled in New Zealand. This did not prove possible, so the licence was granted for a further year.

"The next step is for the Soviet Union to establish arrangements in order to have the Lada assembled in New Zealand, Adams-Schneider said. Then there would be no limit other than market demand.

A Soviet representative, referring to the growing number of orders, remained undaunted by the restrictions, saying later many and continued approaches had been made to the New Zealand Government.

Meanwhile, the trade balance was running 25-1 in New Zealand's favour, he said. As it appeared they would

not be able to meet the demand for the vehicles, the order would be filled on a "first-come-first-served" basis.

He said it was hoped the consideration would be given to allowing more import licences.

The Soviets were full of praise for the show organisers and commented particularly on the great interest displayed by the general public in the goods.

Western exhibitors appeared somewhat bemused by the large numbers of public viewers, but said they got more benefit from the trade days.

A Scandinavian exhibitor said his company had been prepared and missed the opportunity to make more use of the trade days.

"They are vital," he said. Other exhibitors agreed, but views differed as to the preferred number of days open to the public.

From both the Austrian court and the Czech Republic came a preference for more trade days.

A German representative said the trade days provided more successful medium-term negotiations. He recommended the fair be shortened to seven to nine days, and his emphasis on public participation.

The duration of the trade days was "extraordinary", according to Counsellor for the Federal Republic of Germany, W. Friedel.

He said this was also the view of two trade fair specialists from overseas.

But he said a great deal of interest in this fair was displayed by both private persons and those in trade circles.

The approach of the Asian countries — Indonesia, Malaysia, Philippines, Singapore and Thailand — was two pronged, some exhibitors wanting to work up serious trade deals while others looked for opportunities to be direct across the counter to the public.

Overall, the Asian countries considered the fair was a success, according to managing director of Triad Span and court manager to those nations, Sid Tse.

Primarily it provided exposure to New Zealanders of those nations making up the Asian group.

"It also provided details of the product capability of those

# from trade fairs

countries indicating their development," he said.

The balance of trade days and public days at this fair was considered "acceptable".

The Asian nations have varying needs according to their different stages of development.

"This being essentially an industrial fair, it is essential that trade days are there to finalise long-term sales arrangements," Tse said.

But in terms of socio-economic factors, some of the Asian nations are achieving their speediest development through handicrafts which create job opportunities.

"There is a voice from this sector for direct sales and this has been satisfied by the present format of the fair", he said.

He pointed out, in addition, public days are necessary to demonstrate to New Zealanders that they have product capability and quality.

Trade days will however, assume greater importance with development of the economies of the Asian nations.

Overall the objective was to demonstrate the nations, their



DICK DUNDAS... not impressed with boycott.

culture and economy — this has been achieved, he said.

The fair association tried to achieve a happy mix, Dundas said, but if it became clear exhibitors preferred to keep the majority of days free of the public, more thought would have to be given to this aspect.

But over 250,000 people moved through the gate during the public days, all paying for tickets, and many coming from all over the country. This interest could not be discounted.

# Auckland show: a purist solution

by Rae Mazengarb

TRADE fairs are a serious business. Exhibitors are there to trade and many of them don't want to be bugged by the public at large.

But some nations, especially those within the Asean group, prefer to promote their products to the consumer and sell direct to the public.

To suit the requirements of everyone, the 1981 Fair in Auckland will be divided into two components.

The first, the New Zealand International Trade Fair (from July 29 to August 3 1981) will be open to trade guests only, with the exception of one public day.

The New Zealand International Sales Fair (beginning at the end of August 1981), will open to the public for nine days and be geared in the needs of those nations wishing to promote direct to the public — a type of consumer fair.

It will also provide exhibiting nations with the opportunity to present cultural or travel-oriented entertainment in the 3000-seat auditorium at the showgrounds as additional promotional vehicles.

The new format — at first sight a sharp swing away from past trade fairs — is just a further stage in the development of fairs in this country.

According to a brochure already produced by the organising committee for the Auckland event, "experience gained during the three international trade fairs staged in Auckland since 1969, plus continuing consultation with the representatives of exhibiting nations, has determined the format of the 1981 trade fair".

The exhibition will be a short one — just seven days — with entry available only to properly accredited trade buyers.

This development is likely to

be welcomed by exhibitors who have pressured in the past for shorter events and fewer public days.

In 1977, Auckland's International Trade Fair bowed to pressure from exhibitors to specialise. But plans to restrict admission to trade people went awry and exhibitors were given thousands of free tickets.

These, they gave away with gay abandon. Result — the supposedly trade-only fair was flooded with wives and children.

Potential exhibitors hope the next fair will be heavily trade oriented.

The trade services director of Trade and Industry, Ashton Cook, plumps for the trade-only type fair in New Zealand's programming of fairs overseas.

He pointed to the recent fair at Papua-New Guinea, which was essentially directed at trade.

But he declined to comment on the New Zealand fairs,

except to say his department welcomed the willingness of the Auckland organising committee to provide something for everyone.

Trade and Industry feared a trade-only show would shut out the Asean nations, many of whom needed the alternative to promote their particular goods, which are often consumer oriented.

So far most potential exhibitors are unaware of the Auckland move, but when NZIIR asked several embassy officials to comment on the 1981 fair, they showed enthusiasm.

Exhibitors may pressure the Wellington fair committee to follow Auckland's lead.

Wellington show promoter Dick Dundas said that if the Auckland move proved successful and the exhibitors showed this was what they wanted, Wellington would be willing to make changes.

"We'll cut our cloth accordingly," Dundas said.

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"Sponsors were all very pleased with the results achieved — particularly in terms of showing the public the latest advances in New Zealand exports and new technology, and also bringing exporters together for the first time in Wellington in a New Zealand Court", he said.

Gaskell said exhibitors had reacted favourably to the New Zealand Court, which they felt had created a special point of interest and had given a sense of identity to the companies.

In particular, the smaller enterprises, who in most cases were exhibiting for the first time in any major trade fair, benefited greatly from the exposure both to the trade and

to the public. Several of these small business operators had made contact with overseas buyers who showed great interest in the products displayed. Several had received export orders, ranging from herbs to cheese sets and Marcarvings.

"From discussions with exhibitors the sponsors' decision to promote the New Zealand Court was amply justified", Gaskell said.

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## Douglas tackles "poverty trap"

by Colin James

WHILE the Government and the Federation of Labour maintain their standoff on the "minimum standard of living", a contribution to the debate has come from a Labour MP.

Identifying what he calls the "poverty trap" affecting lower-income families, Roger Douglas has proposed a "guaranteed minimum income" system involving a minimum wage, tax adjustments and social security support.

Principally, he wants:

- A minimum wage (of \$100 this year) agreed between employers, unions and the Government;
- A family tax rebate and higher family benefits;
- A simpler social security benefit structure;
- A drastically simplified two-step income tax system, tied to the minimum wage, with reduced rates and a personal rebate — coupled with an unspecified new revenue source.

His paper is billed as "one of a series of discussion papers approved for distribution by the education committee" of the Labour Party, an indication of the increasingly active role the organisational wing of the party is playing under its new president, Jim Anderson.

Douglas argues that there

are thousands of families whose income is so small that they can pay only for basic essentials and have no hope of "saving enough to buy their own home or of having a surplus to invest in a profit-making enterprise".

Others "find they have little money for anything else after mortgage payments have been made."

"They have no prospect of a significant improvement in their situation. They are in what has become known as the poverty trap."

Douglas says that one reason for the outflow of skilled workers is high taxes and he points out injustices in the social welfare system, which keeps dependent beneficiaries on subsistence incomes while paying national superannuation to people who do not need it.

He starts with a "legal minimum wage" designed to provide a basic standard of living for a single person.

"It should be the subject of annual negotiations between the trade unions, employers and the Government," he says. His estimate of what it should be at the moment: \$100.

"The second step is to ensure that families have an adequate standard of living," Douglas says.

"We need a system of family taxation which is both more generous and more easily understood than the present young family and single income rebates."

He suggests a tax rebate equal to one-quarter of the minimum wage. So at his suggested \$100 minimum, it would mean \$25 a week to single-income families with young children.

In double-income families, the rebate would be reduced by \$1 for every \$4 earned by the second income-earner, thus allowing some rebate up to the minimum wage level for the second income-earner.

Douglas suggests raising the present age limit for the young family rebate for single-income families from five to seven.

For families with older children, he proposes the child benefit should be set at 10 per cent of the minimum wage. At his suggested \$100 minimum wage, the benefit would be \$10.

"The third step involves changes for people outside the work force. I propose to bring the present hotchpotch of social security benefits within the tax and minimum income system," Douglas says.

Benefits would be paid "as of right" only to those unable to work full time or those over 60. This would include those now eligible for either unemployment or sickness benefit, single parent families with children under seven and widows for a period after their husband's death.

"This will involve some major changes to the eligibility for social welfare benefits and therefore a programme that can only be phased in gradually."

For single people the benefit would be 60 per cent of the minimum wage and for married people it would be 50 per cent each — all tax-free. Douglas says that at a minimum wage level of \$100 these rates would be roughly equal to the present national superannuation after-tax rate and well above the present income-tested benefit rates. Beneficiaries with children would get the 25 per cent family tax rebate and the higher family benefit.

"Any extra earned by the beneficiaries would be taxed and would result in their benefit being reduced by \$1 for

every \$4 they earned," he says. "That would mean that many people who currently receive national superannuation and in addition have substantial incomes would find that their benefits reduced until they disappeared."

Douglas's final step is reform of the personal income tax scales.

He would restore the personal tax rebate, setting it at \$15 a week for the \$100 minimum wage-earner, thus effectively meaning no tax on the first \$50 of earned income.

He proposes a two-step income tax rate, indexed to the minimum wage.

All income up to two and a half times the minimum wage would be taxed at 30 cents in the dollar, thus lowering income tax paid by low and moderate income earners.

All income above that level would be taxed at 45 cents. (The present maximum is 60 cents.)

Douglas justifies the lower

top tax rate on three grounds:

- Higher rates are a disincentive to effort;
- They encourage avoidance;
- If coupled with a tougher attitude to fringe benefits, there need by no loss of revenue from tax rates on high incomes, a proposition he says he will develop in a later paper.

Douglas acknowledges that his scheme would cost money, meaning that the Government would have to find some new revenue source.

"I believe that will have to be in indirect taxes," he says, promising more papers on possibilities for revenue raising and reducing Government spending.

Indirect taxes have been anathema to the Labour Party, which has believed that they hurt the less-well-off.

Douglas has argued, however, that this is no longer the case. It will be interesting to see if he can convert the party.

## Vendors attempt to squelch milk carton marketing scheme

by Warren Berryman

WHAT'S wrong with milk in cartons? Just about everything, according to the National Union of Milk Vendors.

The vendors claim that carton milk is contrary to the consumer's wishes and interests. They maintain it will lead to a breakdown in home delivery and a cut in milk sales.

After public demonstrations with queues of milk trucks parading the streets warning the consumers, the vendors have added their submission to the Milk Board.

The milk vendors' submissions reset the following conclusions:

- That the public want the viability of the home delivery service to be maintained.
- Home delivery can be retained at reasonable cost during the 1980s provided new formulas and concepts are developed.

The introduction of carton milk would lead to a rapid collapse in the home delivery system in many areas, this is the main argument of the vendors.

"The Milk Board should be required to promote consultation, consideration and harmony in the industry. It feels this task is beyond it and it should be disbanded."

The milk vendors based their submission on two sorts of evidence.

First, to gauge public attitude, the milk vendors circulated a questionnaire to householders. The form of the questionnaire and the questions were loaded to such a degree that the response could be said to be a foregone conclusion — pro-bottle and anti-carton.

Secondly, the milk vendors relied on a carefully selected scissors and paste selection of overseas magazine and newspaper articles damaging milk cartons.

These articles make it point that the advent of

toned milk has led to a fall in milk consumption.

But, being selected studies of selected countries, they fail to go beyond the particular to the general to establish a causal link between cartons and consumption.

In fact for each case the milk vendors put up, a counter case in another country with opposite results could be found.

For example Finland sells 99.4 per cent of its milk in disposable containers and has an annual milk consumption of 233.5 kilos per capita. New Zealand with 98.3 per cent of its milk in returnable bottles has an annual per capita consumption of only 137.9 kilos.

Behind the milk vendors' arguments was a firm conviction that carton milk would be sold in supermarkets and dairies at a greater cost to the consumer.

As they did not consider the possibility of delivering this milk themselves — without the problem of having to pick up and handle empties — they

saw carton sales from shops as a threat to their jobs.

U.E.B. Industries' submissions in favour of Pure Pak cartons make the point that delivery savings could be made as cartons weigh far less than bottles (80 per cent of the total weight of a bottle of milk is the glass); cartons mean no returns; less handling; no washing; and because they are square in shape, more milk in a given space on the milk truck.

A.H.I. Hygrade Packaging's submissions in favour of cartons make the point that the added 5 cents in price for carton milk will be met by consumer resistance thus guaranteeing the market for home delivered milk in cartons.

Like U.E.B., Hygrade argued that carton milk would take a market share from soft drinks rather than from home delivered milk.

The milk vendors, perhaps unwittingly, contradicted their own case with the results from their householders' survey. Of



the respondents 98.6 per cent said they would still require a home delivery service if milk was readily available in supermarkets.

This could be taken to support Hygrade's argument that carton milk would not affect home deliveries.

And this was not the point that the milk vendors wanted to prove.

The vendors' survey carried on the front page the words: "Is this the future of household milk delivery: 1940

— household delivery carried out by roundsmen with horse and cart. 1960 — household delivery carried out by roundsmen with trucks. 1980 — household delivery declines — supermarkets handling all milk products. 1990 — no household delivery — supermarkets selling all milk lines in cartons."

Below is a copy of the milk vendors' questionnaire together with the response analysed from 1700 out of 21,000 respondents.

The vendors' submission acknowledged that the questionnaire could be criticised, but said: "Any bias that remains will be excused as entirely unintentional."

The milk vendors dismissed Big M's cartooned milk marketing success in Australia, pointing out that household delivery was already breaking down in Victoria before Big M boosted milk sales.

The vendors said New Zealand's falling milk sales were not the fault of the vending system but due to such factors as declining birth rates and a revival of breast feeding and falling population.

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milk sales if one could assume the public knew exactly what the question entailed — which is doubtful judging from the percentage of respondents skipping this question.

The milk vendors dismissed Big M's cartooned milk marketing success in Australia, pointing out that household delivery was already breaking down in Victoria before Big M boosted milk sales.

The vendors said New Zealand's falling milk sales were not the fault of the vending system but due to such factors as declining birth rates and a revival of breast feeding and falling population.

Rather than jeopardise the home delivery system with the introduction of cartons the milk vendors suggested that New Zealand upgrade the present bottling plants, possibly with the introduction of a micro-processor based bottling system.

The vendors did not give details on how this might be done or the costs involved.

What the milk vendors lacked in hard research they made up for in enthusiastically putting the milk man in the national pantheon alongside mum and apple pie.

Milk vendors, they said, could be encouraged to use CNG and LPG thus putting them aboard the popular energy conservation bandwagon.

"The present vending system is a good training ground for small businessmen and has been a useful base for owner-operated entrepreneurs aiming for self-employment."

The submission said, this arises from three factors. • "Deliveries are generally outside ordinary business hours and administration support may be undertaken by

the rest of the vendor's family, spreading the work load. • "The nature of the job and its hours curtail a great deal of spending which might normally occur on travel and entertainment. The average vendor doesn't make money but saves it."

• "The discipline of daily contact, having to satisfy a broad range of consumers and being subject to immediate complaint is formative, and has a good side, especially the development of community contact," it said.

And what does this training ground for thrifty, hard working, private entrepreneurs cost the community? Only 26.68 per cent of the price of a bottle of milk went into vending, according to the submission.

And as to consumers' choice, the submission said: "It is still the consumers' choice as to whether it (milk delivered by vendors in bottles) will be used for cooking, milkshakes or added to tea and coffee and we submit that this service should be supported."

What with all the advantages of the present home delivery system put forward by the vendors, coupled with the consumers' desire to maintain it, one might wonder why the milk vendors don't just sit back and wait for the carton schemes put up by Hygrade, UEB and the Dairy Board to go bust.

The vendors did not explain why Government should not save itself time and expense and let market forces, and consumer choice, lead away.

Instead, the vendors seemed to be asking Government to preclude consumers' choice by banning cartons and granting them a monopoly on all milk sales — a strange necessity for a system that was so obviously desirable.

**QUESTIONNAIRE**

Do you wish the present home delivery service by Milk Vendors to continue?

2. Do you think milk should be available in supermarkets?

3. If milk were readily available in supermarkets would you still require a home delivery service?

4. If the introduction of milk in supermarkets could result in the breakdown of the present home delivery service, which service would you prefer?

5. Would you like to see (a) A home delivery service (b) Availability of Milk in Supermarkets

6. Would you be satisfied with a six day home after delivery service, if the vendor requests it, or the immediate despatchment required?

7. If you agree any change to the present milk delivery service, would you continue to purchase milk from your Vendor if he only delivered milk on four days of the week?

8. Are you satisfied with milk packaged in glass bottles?

9. Do you want milk packaged in cardboard cartons and plastic bottles — at greater cost to consumers?

10. Would you pay a minimal extra charge for Vendors to deliver milk?

11. If Vendors carried additional unwholesaled milk, i.e. Flavored Milk, Yoghurt, etc. Would you wish to see the following:

I would never purchase these products I would purchase these products occasionally I would purchase them often

12. If Vendors get the NZ Dairy Board contract to deliver 12.5% Reduced Price Milk (which has a shelf life of the month), would you like this product delivered to your door?

13. Do you support Milk Vendors in their efforts to attain the distribution rights of all milk products, thus ensuring the continuing viability of the Home Delivery Service.

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## Farm workers spell it out

I WISH to correct some erroneous statements in (NBR July 4, 1979) headed "Farmers resist union mustering of farm hands".

First, I suppose I should point out that my name is spell Withell and not Whistle.

Federated Farmers did not help give birth to the New Zealand Farm Workers' Association. It would be true to say many Federated Farmers members wanted to officially support the association but because of the dangers of political implications, such as the association being accused of being an employers' body, they held back. Even though we, the farm workers, would have welcomed a more decisive support role by the employers for the association.

The fact that many farmers feel that the association is growing into a trade union, without any interest other than pushing for high wages (?), lies squarely at the door of some Federated Farmers who by speech or implication are

attempting to hold the association down.

This is indeed foolish and in the words of John Kennedy in his candid comment column in the Southerner: "If the Farm Workers' Association should fall, then eventually farmers will pay a high price for their stubbornness and foolishness."

I am of the opinion that the refusal by both Federated Farmers and employer unions to recognise the membership clause is in direct contrast to the support the clause is having amongst the more realistic farmers.

Regardless of smoke screens the clause is not compulsory and in fact, by allowing workers to opt, gives a democratic decision to the worker and not to the association.

The reports I have received from the association's branches show that support is heavily in favour of the clause and many farmers are actually asking why we don't go compulsory.

To again use John Kennedy's words: "The association has done its level best to maintain good relations with em-

ployers." The penalty we are paying is that apparently New Zealand Worker's Union and PSA are peddling their brand of fiction that we are farmers' stooges.

Unless Federated Farmers and the employer unions wake up to the cry from the majority of farm workers and farmers that the clause is needed they may well find a change in the thinking of the liberal and conservative leadership and could in fact find that the association was to continue despite the efforts to stunt its growth then a gradual takeover by militancy could well occur.

Rather than being prepared to listen to gossip mongers farmers would do the industry good if they became involved in the employer unions and attended conciliations and tribunals. The association would welcome this involvement.

The article refers at the end to "it is not a bad thing to have some threat to urge them on". If this was the meaning taken from a telephone conversation I feel that you are in error.

I attempted to stress that while the association has had



LETTERS

to struggle, this in turn has in fact given a solid foundation, and that it does not do any organisation a scrap of good to be able to sit back and watch the fees roll in.

However, it is not a good thing for the majority to sit back with no commitment but yet be willing to take.

I always thought that the philosophy "down on the farm" was give and take. So far it has been the association and its stalwarts giving and the others taking. The clause is intended to correct this, without overbalancing into the area of sitting back and doing nothing. Farm workers and

farmers must make up their minds what they want.

You state that a merger with the union is a possibility and that the executive of both union and association are considering the step.

As to what the members would do if the membership clause was lost I do not know, but it is likely that our long service members would be disgusted enough to say to heck with it and not rejoin. Who could blame them with the lack of support from the employer's representatives.

We have a good organisation, one which has done a lot for farm workers and farming. This goes well beyond the boundaries of just wages and conditions (which were in a bad state) and being just a trade union.

We have a membership that stood behind the association since 1974. Besides their \$10 membership fees they have spent considerable finance to safeguard not only their rights but the rights and welfare of all farm workers.

Where then is the sense of "fair play and justice"? Can you blame them for being fed up with the apathetic farm worker and the deliberate blocking and stalling by some employers in Federated Farmers and Employer Unions?

We do get moral support from some branches of Federated Farmers and it is a shame that we are held back by some diehards. We find their attitude grossly unpalatable.

We have, in fact, considerable common ground and interests with farmers and Federated Farmers and I would hope that those who should know better will not destroy the will of maintaining good industrial relationship by their malicious discontent.

We have to bear much interference from outside farming but stupidity from our own employers' organisations should not be tolerated by employers or employees.

Both the association and Federated Farmers and employer unions have a golden opportunity to demonstrate and set the pace for new industrial relations.

I feel sure that this has in part been achieved and I ask that we (the farming community) do not let the irresponsible actions of a few, whether from farm workers or farmers, destroy these beginnings.

There is limit to the period the association can be used as whipping boy.

The clause is not compulsory. It is optional. Federated Farmers head office seem hell bent on giving the impression that it is compulsory and that the association is only a trade union.

No system that gives the opportunity to opt out can be compulsory no matter how biased against union some can be nor is it illegal within the Agriculture Workers Act, nor is it against the New Zealand Farm Workers' Association.

In the words of Mr Nelson Grylls, a leading United States industrial lawyer: "Here's to NZFWA. New Zealand needs you. God knows it. Let's hope farm workers realise it". We should add lets hope farmers know it.

Apparently the employer unions refuse to recognise the importance and necessity of a viable association and in the light of their actions and submissions to a recent Agriculture Tribunal the question foremost in the thoughts of our members are: "Are the employer unions preparing to sell the farm workers' own New Zealand

Farm Workers' Association down the road to the New Zealand Workers Union?"

Wally Whistle  
National Secretary  
NZ Farm Workers' Association

## Forests are renewable

IN YOUR editorial NBR August 22, Mr Edlin's note from statements made by a number of representatives of industries using indigenous timber. He then concludes: "consumption and conservation are incompatible and hence use of indigenous timber is being further exploited."

Forests are a renewable resource, a point noted by the Commission for the Peace and covered in an article on page 7 of the same issue of Edlin's editorial. Indigenous forests certainly are not difficult to restock and growth rates are much slower than exotics, particularly pine. However, the management of the forest is a renewable and will still produce a continuing high quality timber. This is the basis of the Forest Service management proposal. Whirinaki Forest. Of a forest area of 60,000 hectares, 13,500 hectares is set aside for production and 12,500 hectares is included in various reserves. The greater part of the remainder is accessible by highland protection. The reserves include more than 50 per cent of remaining high value podocarp stands.

It is probably worth noting also that conservation according to Webster's New International Dictionary can mean the wise utilization of a natural resource. The certainly accords with a forester's meaning of a word.

May I request that when you have published Belinda Gillespie's second series of articles on fluoridation, you will grant me the courtesy of equal space to state the moral, medical and scientific case against fluoridation?

May I point out that I (and others) were disappointed to note some apparent bias in Belinda's article. You know it was hardly fair to use a photograph of myself in bed which, to say the least could subtly imply that I am a sick old man — which I certainly am not!

A lot can be dismissed as thoughtlessness or even discourtesy, but nothing could justify Belinda quoting a deliberately untrue statement by the pro-fluoridators "the ruling was later overturned in a higher court".

The fact is that the judge's finding — that the plaintiffs had proved a 5 per cent increase in deaths from cancer since the 10 cities had started fluoridating their public water supplies — still stands.

However, this letter is written because I believe that the responsible editor of an influential newspaper would be anxious to ensure that all papers presented fair and impartial statements of both

## Mayor points out danger

I WAS interested to read on Page 21 of NBR August 15 two articles on fluoridation by Belinda Gillespie.

As my name is frequently mentioned in these two articles, I feel it necessary to make a few comments.

As mayor of one of this country's largest cities, and with a strong feeling of responsibility for the welfare of its 152,000 citizens, I feel it my duty to point out the dangers of this questionable practice.

I note that your reporter has consulted with and quotes some of the prominent promoters of fluoridation, but so far neither she nor any other reporter from your newspaper has consulted me on this matter. Yet it is acknowledged that as a result of my 27 years study of all the long term implications of fluoridation I am as well qualified as anyone else in New Zealand to speak on the subject.

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However, this letter is written because I believe that the responsible editor of an influential newspaper would be anxious to ensure that all papers presented fair and impartial statements of both

sides of this controversy which affects so many people in the fluoridated areas of this country.

It is this belief that I ask that you agree to allow me equal space and opportunity to give the other side of the story.

Sir Dove-Myer Robinson  
Mayor  
Auckland

OUR articles attempted to look at the politics of fluoridation and the lobbying techniques of the "pro" and "anti" fluoridation groups; not to document the "moral, medical and scientific case" either for or against fluoridation.

The "prominent promoters" of fluoridation were quoted only in respect of the lobbying activities of their particular organisations in rallying support for their views.

Sir Dove-Myer Robinson was not consulted because his views and activities on the issue have been well documented.

Jeffrey Annan, chairman of the New Zealand Dental Association, has corroborated his statement that the Pennsylvania ruling against fluoridation was later overturned in a higher court.

The photograph used was in no way intended to reflect on Sir Dove-Myer's state of health. — Editor.

## BPA motives draw query

AS A former member of a small trade association, I was interested in the report (NBR July 25) of the moves being taken in the Business Press Association to "clean up the business press image." Is the whole operation as innocent and laudable as it purports to be?

Shortland Educational Publications, the company of which the Business Press Association chairman is managing editor, is of course a subsidiary of NZ News. The association vice president is publisher of IPC Business Press.

Could this be a move by two publishing giants to make "the going" too tough for small operators? It is worth pointing out, too, that in the absence of any news media ownership legislation there is no obstacle

to the mammoth over-owned IPC organisation gaining control of much of the New Zealand publishing industry — particularly if it has such an influential "friend in court" as NZ News.

R S Saunders  
Palmerston North

## Milk vendors defend bottle

YOUR articles and comment on the carton controversy call for more freedom in packaging for the local milk products.

Certain industry sources also are lobbying for change. We believe the major issue is whether the town milk system should be considered a service industry or whether milk will become just another commodity.

The present state of the service is not healthy, but could be revitalised, given a general undertaking to restructure the vending system to keep it viable.

What is envisaged by some parties is a complete break with the traditional service aspects of the industry to

provide a "promotable" product. The reaction of the industry has been equivocal, claiming that by relying on good intentions it is possible to have both.

Our experience at the sharp end of the distribution system has convinced us that New Zealand vending would collapse without effective reorganisation, should cartoned milk be generally available.

Some pertinent points we wish to make are:

- Cartons and plastic containers do allow deterioration of milk under illumination in shops.
- The New Zealand vending system costs only 27 per cent of the gross delivered value of milk.
- Pressure on the system is aggravated by bad margin systems providing gross income variances of up to \$20,000 between milk vendors.
- New Zealand vendors deliver to twice as many households as the British vendors, who carry extra products fairly readily.
- New Zealand milk consumption is now near optimal for health value and sales drops in recent years have not

been disastrous: in years ended 31 August 1976 — 1.95 per cent, 1977 — 3.6 per cent, 1978 — 1.02 per cent. Population changes and reductions in wastage could account for most of that.

The \$8.2 million cost on the subsidy in year ended August 1978 for town milk not required could have embarrassed the Government into a precipitate embrace of the "Fun Milk" concept.

Our objective is to obtain for our members as many as possible of the rights and benefits which would be provided to them if they were employed under an award.

However, we realise that we will achieve nothing without the continued support of milk consumers and to this end will do all we can to provide such improved services as the viability of the rounds allow.

The competition between packaged milk and bottled milk would develop into a competition between supermarket and home delivery or local dairy supply. In many areas there would be an almost instant collapse of home delivery and dairy sales. Over the country as a whole, we would inexorably follow the

trends in Europe, with a rapidly increasing share of sales in packages, with diminishing overall sales of milk products.

J G Duncan  
Research Officer,  
National Union of Milk Vendors.

## Publisher backs audits

I read with interest your article "Chief pushes for cleanup" (NBR July 25, 1979.)

In it you state only seven publications published by four members of the Business Press Association are audited. You appear to have miscalculated. Management, published by Modern Productions Ltd, a foundation member of the Business Press Association, has had an ABC audit since January 1974 and this company has always been strongly in favour of audits.

I would appreciate rectification.

SC Niblock  
Managing Director  
Modern Productions Ltd

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**Polaroid**

## Salt loses appeal battle

CONGRATULATIONS on your recent article on fluoridation (NBR August 15, 1979). May I be permitted to point out one omission concerning the Pennsylvania case of last year which ruled against fluoridation. The findings of the lower court were, as the writer correctly stated, that fluoridated water was carcinogenic (that is, cancer-forming).

The ruling was against the pro-fluoridation. The appeal was successful on the basis of legal technicality only. The evidence and findings were not questioned. This was not questioned. This was the point omitted by the writer.

The case reached the highest level, the Supreme Court of Pennsylvania. The Supreme Court ruling sustained the original lower court ruling.

The final outcome of the case was therefore against fluoridation. This most interesting case was found in the Verdicts of the Dunedin Public Library. The Dunedin Public Library. The Dunedin Public Library. The Dunedin Public Library.

It took six years after the first reported fluoridation baby was born before it was finally banned. Let's hope slow with fluoridation.

Are the employer unions preparing to sell the farm workers' own New Zealand

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## Electronic gadgets edge out security patrols

by Mary Varnham

NIGHT ONE. It's five-thirty, cold and starting to get dark when I arrive at the security company's office. The boss, a tall, suave, grey-haired man, greets me on his way out.

At an interview earlier in the day, he told me he started out in the security business with a 1955 Vauxhall and an alsatian dog. The gamble paid off. Fifteen years later, his company has more than 250 employees and is the third biggest in the industry.

He's an avid National supporter and once stood for the party in the general elections.

"Mildon and I don't talk to each other through the newspapers," he says, with some satisfaction. "We write letters."

He's not too happy, though, with the Government hiring its own security guards for Parliament House. It's no secret, he says, that they're paying 20 to 30 per cent more than guards get in the private sector. This is bound to lead to increased wage demands for companies like his.

"Essentially," he insists, "the Government should get out of the business."

Under the award, the starting salary for mobile guards is \$128.44. After a six month probationary period, this rises to \$131.73. Static guards, who are stationed in one building for the night, earn a little less — \$125.15, rising to \$128.44.

Under the Private Investigators and Security Guards Act 1974, all guards must be checked out by the police and okayed by the Registrar in Auckland before they are hired. The criteria laid down in the Act: guards must be over 20 and have not been convicted of a crime involving dishonesty, or served a prison sentence, in the preceding 10 years. The failure rate is apparently small.

A little after six, John, the patrolman I'm accompanying, and I set off downtown through the tail-end of the commuter traffic. I ask him how he got into the business.

"I was a fencing contractor," he explains. "Got sick of it and was looking around for something else to do. I had a mate who'd gone into security. It sounded interesting enough so I went for an interview."

Two days later he was hired. There's a large turnover in the business and jobs are relatively easy to find.

One of our jobs tonight is to deliver pay cheques to the company's static guards. They are, I discover, a mixed crew. While some are, as you would expect, ex-prison officers, servicemen and policemen, many are just regular people who've come into the business cold. A surprising number are moonlighters, among them a secondary school maths teacher, a jeweller and a law student.

First stop, the operations centre. It is, in best undercover tradition, a nondescript building near the waterfront. All calls to and from patrolcars go through here.

The guards have no direct contact with the clients whose premises they watch over. Cries for help, messages to clients and the police, banter to pass the time — all are siphoned through a surprisingly amicable (given the time of night and solitariness of the occupation) switchboard operator.

It's well-known that in the early stages of private security operations, relations with the police were tempered

with mutual distrust. Now, however, there appears to be a conscious effort at co-operation on both sides.

According to John, patrolmen frequently spot crimes in action and report them to the police. He describes an incident in which he was involved a few months earlier. While driving through midtown late at night he spied a couple of men stealing a car.

He radioed headquarters and took up the chase, calling in his position as he went.

The chase led him through Wellington, along the motorway and into Tawa. It ended on a deserted back road where the thieves panicked, ditched the car and jumped into a thicket of blackberry bushes — just as the police, following his directions, arrived on the scene.

There were no such thrills either of the nights I was out, but there's always an undercurrent of tension, expectation, in the work.

Mobile guards develop a well-honed "security sense". A shadow, a noise, even a different smell, can alert them to the presence of an intruder. Dark, empty factories, warehouses and office buildings are no place for the nervous.

While John claims most of the work doesn't worry him, he confesses to a bit of edginess in "bad areas". In one such area, a back street in Petone, he finds a window open in the dangerous goods store of a factory. He scouts around, finds no one and radios in to HQ. Half an hour later the factory manager arrives and secures the window. There is no mistaking the vulnerability of a building like this. There is not a soul around and the odds of a thief or vandal escaping undetected seem considerable.

What would John do if he caught a criminal in the act?

It's hard to say. Despite advertised claims by security companies, few patrolmen use dogs. According to the next night's patrolman, who does, there are at most four trained guard dogs in the whole of Wellington.

Nor are the guards allowed to carry arms. Their only weapons against an intruder appear to be a strong torch, the ability to radio for help — and, presumably, physical force, although there are no Charles Atlas criteria for hiring.

Night Two. Bernie not only has a large alsatian dog, he also, unlike John, has a van with the company's name emblazoned on top, plus a uniform and hat. He's a Scot with lots of good Glaswegian morality — and very firm ideas about security.

"I'm more security conscious than the company," he tells me proudly. Seeing the danger of any system being cracked, he is constantly varying the routines handed out to him by the controller. Companies do not use the names of buildings in their radio calls, referring to them only by code number.

Bernie takes down the list of numbers given him by the operator and then announces he's going to switch around a bit, "just in case anyone has worked out the code."

Soon after Bernie started work, he took the unusual step of phoning the managers of firms he was patrolling.

He also has a quasi-personal relationship with the staff, even though most never see him.

He's meticulous about leaving messages to people who leave lights on or heaters burning. Sometimes, too, he solicits donations for his favourite charity, guide dogs for the blind.

Every year a growing number of companies in New Zealand pay out thousands of dollars a year for a service they almost never see — mobile security patrols.

The patrols take place at night. They come in a variety of forms. Some cars are marked, others unmarked. Some guards wear uniforms, others ordinary street clothes.

Surveillance may be as thorough as a complete inspection of every office, stairwell and corridor, or as cursory as shining a torch on outside doors and windows. It may take place every two hours, four hours, once a night.

The client gets, quite simply, what he pays for. Arrangements are made, and a price agreed on, beforehand.

His interest in the activities of the companies approaches the paternal. As we trip around he tells me how ice-cream is mixed, berets made, plastic extruded.

In the three months he's worked there, he's picked up quite a bit of information.

"Fridays are always the worst," he says of his job. "The lads are in a hurry to get

to the pubs. Lights, heaters, machines left on all over the place."

Savings in electricity are one of the few tangible benefits of night security. The rest, deterrence of theft, vandalism, arson, are, like all preventive measures, less easy to judge. Clearly night patrols will deter crime to a certain extent. They cannot, however,

prevent it since surveillance is not constant. The clever criminal is bound to beat the system sooner or later. Few, though, will take the trouble — and this is what security companies, and their clients, rely on.

For obvious reasons, security firms remain tight-lipped about break-ins that have taken place despite their efforts.

Manned patrols, although they have played a large part in the security picture in the past are, for all this a doomed species. Within 10 years, estimates one security expert, they will have been replaced almost entirely by electronic alarms and fire protection devices, card access systems and a raft of other technologadgetry.

While electronic security hasn't yet taken off here the way it has in America and Europe — only two large electrical companies, Phillips and Harding Signals are presently in the market and

both are relatively new entrants — it's fast making ground.

One example: National Mutual in Auckland has installed a computerised caretaker to guard its 21-storey headquarters and five other buildings, a total of 80,000 metres of floor space. The system monitors an astonishing 500 functions, including locking of doors and lifts, lighting, heating, names and times of entry of personnel.

The time the system takes to respond? — less than five seconds.

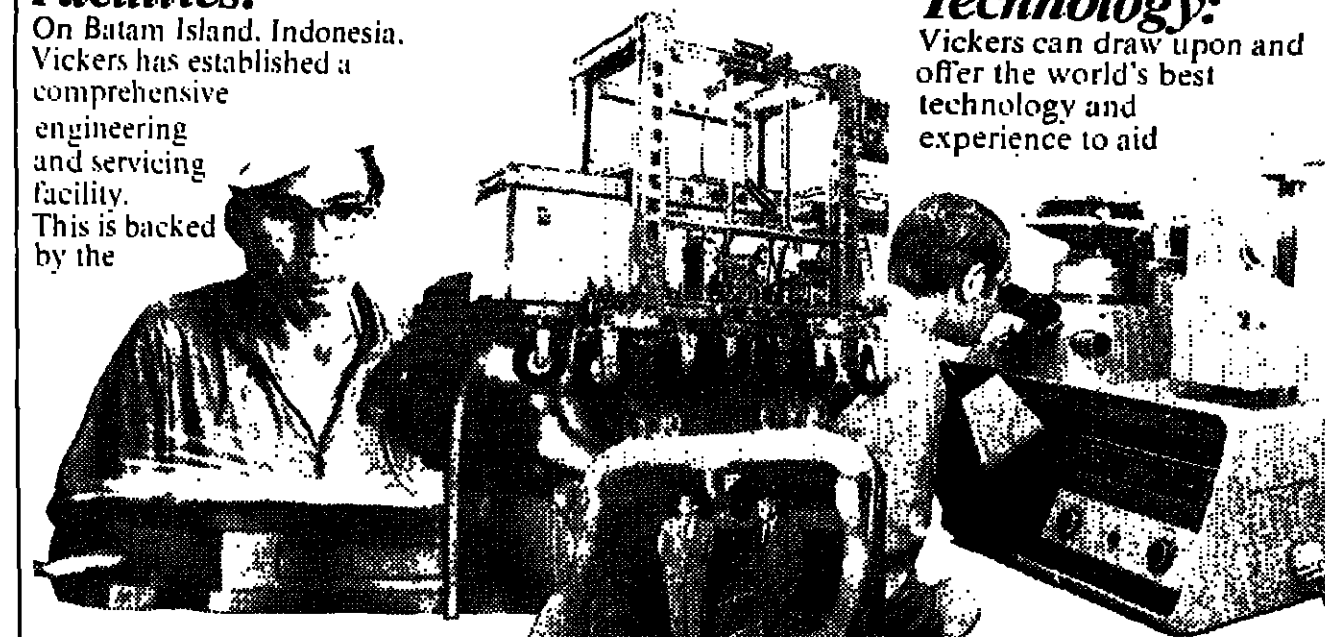
And other companies are leaping aboard, among them National Bank which has recently put a \$100,000 microprocessor monitoring system in its Christchurch headquarters.

Against odds like this, John and Bernie don't look like standing a chance in the long term. In the short term, companies looking for night protection could do a lot worse.

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# The gold facts — or how to beat inflation by becoming a billionaire Focus placed on automation

by Warren Berryman

PREPARE thyself for the coming economic disaster when Government-led vote-buying hyper-inflation renders unbacked fiat money unacceptable as a medium of exchange.

How? By investing at least one third of one's assets in gold. Invest in gold even before the doomsday scenario of the 1980s unfolds. Not to make money. But just to maintain purchasing power against Government's two-faced progeny; inflation and the fiscal fiend.

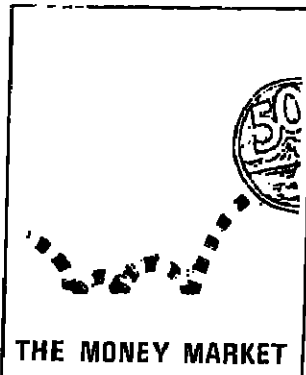
This was the message brought to Auckland by Brendon Scorer, 25-year-old millionaire, stock, share and futures broker, and director of the Sydney-based World Bullion Company.

Scorer predicts an economic collapse in the next decade due to a collapse in the world monetary system.

Most currencies are backed by absolutely nothing of hard value and valued by little more than government fiat, Scorer pointed out.

To pay for their vote-catching schemes, wasteful governments churn out more paper money which pays past debts with debased currency, but adds no new wealth, and thus, debases all currency already in existence.

Scorer said he can see the time coming in the next decade when this sort of currency debasement — or inflation — would reach a point where sellers would not accept paper money not knowing what it



would be worth tomorrow. (Shades of post World War I Germany, where workers would rush from paymaster to shop with bundles of paper money in hopes that they could buy before the new influx of money pushed prices higher — all of which resulted in widespread bartering, curtailing the use of paper money.)

This inflation-led collapse would lead, Scorer predicted, to a return to the gold standard and a brighter economic future following the apocalypse.

Scorer acknowledged that about 95 per cent of people dismissed his doomsday prophesy as ridiculous.

But he asked: "Why are people so ready to believe prime ministers, presidents, and other government ministers, that everything is okay and that the economy will start to improve, when those same government officials tax the populace heavily, run massive deficits and still accomplish nothing positive?"

"If government tries to take away people's right to hold gold

the public should resist, just as they should resist other government restrictions on what a man can do with the rightfully earned fruits of his labours such as exchange controls," Scorer said.

Economic theory aside, Scorer's business is buying and selling gold. He is offering New Zealanders the South African minted Krugerrand. This coin has little numismatic value, being first minted in 1967 and legal tender in its country of origin.

The company also offers Australian gold sovereigns for sale at \$160 each. Being relatively rare, Scorer said, the sovereigns had a numismatic value apart from their 7.32 gram gold content. The Krugerrand, about the size of a New Zealand 20c piece, contains one troy ounce of pure gold (31.1 grams). It was expressly minted for gold traders.

Scorer said he did not want to go into direct competition with local gold sellers. But his prices appear competitive.

The other day he priced a Krugerrand at \$370. One Auckland competitor, Morton Williams Ltd was offering Krugerrands at \$386 the same day. And Auckland bullion merchants Matthey Garrett were offering Krugerrands at \$396 the following day.

Matthey Garrett is one of three bullion merchants with an import licence to bring in bullion for supply to the jewellery trade and private buyers. Its margin for the Krugerrand was: buy \$396; buy back the same day \$324. Scorer said he would buy

back gold the same day for the selling price less 9 per cent. In Australia this figure was 9½ per cent, he said.

The dealer's margin, plus the short-term fluctuations in the market make short-term trading in gold unattractive. Scorer advised his clients to invest in gold for a period of not less than six months and preferably at least a year.

The World Bullion Company extended its operations to Auckland nine months ago, operating through the offices of chartered accountants Chambers Fawcett and Co. In this time, Scorer said he had sold between \$40,000 and \$50,000 worth of gold through mail order.

Scorer hopes to increase these sales of Krugerrand and gold sovereigns. Scorer had not been able to offer gold bullion in bars as importation is under import licence with only three com-

panies holding licences on a continuous basis. But coins are free of this restriction.

Scorer said he plans to deal in bullion in internationally accepted gold bars.

The Australian Government first allowed its citizens to buy and hold gold bullion in 1976. Scorer has been in business since he was 21. He now estimates his personal wealth at between \$1.6 and \$1.8 million — one third of this in gold. His physical sales of gold (not including futures) have increased 20-fold in the past 5 years he said.

But to return to the prime question: why should anyone want to buy and hold gold?

Gold earns no interest in a safety deposit box. In fact, Scorer said the safety deposit box cost \$3.50 a year in Australia.

Gold is expensive to ship and insure. Scorer displayed \$37,000 worth of Krugerrands at a press conference in Auckland last week. The insurance bill for that one day came to \$400.

So why invest in a commodity that earns no interest, is expensive to insure and transfer from place to place, as well as being heavy and likely to wear holes in trousers pockets?

Because, Scorer points out, gold has risen in price by more than 600 per cent since 1970 — and is likely to continue rising as government vote-catching adventurers debase paper currencies in relation to gold. Australian gold sovereigns

have gone up in price 7½ per cent since this January, Scorer said. Krugerrand and gold bars have gone up between 5 and 10 per cent over the same period.

"Gold," said Scorer, "is a thermometer of the value currencies. The more it costs, the more you have to pay for the currencies."

Scorer asks the client to consider if he is really making profit when he invests paper money at 20 per cent and recaps his reward in paper dollars subject to inflation.

Just to break even in real buying power terms, Scorer said, the investor would have to be making a return of 42.8 per cent on his money if his tax rate was 60 per cent and the inflation rate 17.5 per cent (this calculation would fit the typical New Zealand executive in the 1979 New Zealand scenario).

For the investor to make a 10 per cent return in real terms given the same tax and inflation rates, the investor would have to be earning 25 per cent on his money.

Paper money will continue

to fall because "the dollar is backed by absolutely nothing and governments now have the power to literally print paper money 19 to the dozen; they will continue on this suicide course because while trying to pay for debts already incurred by them, the more and more paper they will have to print and so the downward spiral will continue."

Scorer said the three periods of inflation in the United States while it was still on the gold standard were associated with war and an extra issue of paper money.

But, he said, "in each case after the emergency, the money supply was contracted and prices declined to their previous levels. Thus over a period of 145 years the United States currency retained its value. Prices in 1933 were approximately the same as they had been 145 years earlier when the constitution first established a gold standard."

"The reason for this is simple. During this period the dollar was defined as a quantity of gold. The dollar maintained its value because gold maintained its value. And gold maintained its value because it could not simply be printed up and issued to excess like a piece of paper. In fact gold was chosen as money by people because, of all the economic goods circulated in human commerce, it has the best record for maintaining its value."

"But since the enactment of a legal tender law in 1933, there has been a continual depreciation of the currency. Since that time the dollar has been defined, not as a quantity of gold, but as a piece of paper declared to have value by the fiat of the state."

Still, a lump of gold sitting in



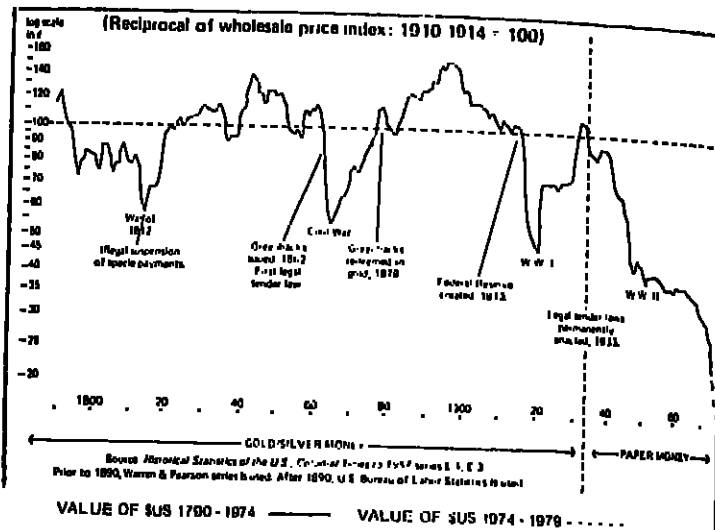
a safety deposit box earns no interest.

NBIT suggested to Scorer that it might be possible for a gold dealer to sell for example an ounce of gold, retain the gold himself, and issue the buyer with a negotiable instrument stating that this instrument could be redeemed in gold at any time by the holder.

This would place the gold dealer in the position of the pre-1933 banker — the instrument being little more than a transferable gold certificate. The holder of the certificate could treat this like money and invest it and earn interest thus having the certainty of gold backing and an interest earning deposit.

Not a bad idea, said Scorer, except Government would not allow it.

Australia has a futures market in gold. There one can secure a futures contract (50 ounces of gold) with as little as A\$750 deposit. For a commission of 7 per cent of the deposit an investor can use his gold holding as a deposit to play the futures market — that is, play the futures market in gold or other commodities.



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